CALIMA
ENERGY

CALIMA ENERGY LIMITED
ABN 17 117 227 086
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

CORPORATE INFORMATION

Directors & Officers	**Name** Glenn Whiddon Karl DeMong Lonny Tetley Mark Freeman Rod Monden	**Title** Chairman Executive Director Non-Executive Director Finance Director & Company Secretary CFO, Canada
Registered Office	**Perth, Australia** **(Corporate headquarters)** Suite 4, 246-250 Railway Parade West Leederville WA 6007	**Calgary, Alberta** **(Operations headquarters)** Suite 1000, 205 5 Ave SW Calgary, Alberta T2P 0M9
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Auditor	BDO Audit Pty Ltd Level 9 Mia Yellagonga Tower 2 5 Spring Street PERTH WA 6000	
Bankers	**Australian Bankers** National Australia Bank Level 14, 100 St Georges Terrace Perth WA 6000	**Canadian Bankers** National Bank of Canada Suite 1800, 311 – 6th Avenue SW Calgary, Alberta T2P 3H2
Share registry	**Computershare Investor Services Pty Ltd** Level 11, 172 St. Georges Terrace, Perth WA 6000 Telephone: +61 (0) 8 9323 2000 Facsimile: +61 (0) 8 9323 2033	
Securities exchange listing	The Company is listed on the Australian Securities Exchange (ASX) and the OTC. ASX Code: **CE1** OTC: **CLMEF**	

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HIGHLIGHTS
For the year ended 31 December 2023

Operational & Financial Results

(A$ thousands, unless otherwise noted)		Year ended 31 December 2023		Year ended 31 December 2022
Sales volumes				
Total sales volume (boe)		**1,476,712**		1,431,288
Average daily sales volume (boe/d) [1]		**4,046**		3,921
Liquids percentage		**62%**		66%
Oil and natural gas sales				
Oil	**$**	**80,170**	$	101,606
Natural gas		**10,640**		18,269
Natural gas liquids		**2,556**		2,590
Total oil and natural gas sales [1]	**$**	**93,366**	$	122,465
Earnings				
Cash provided from operating activities	**$**	**38,235**	$	50,279
Adjusted EBITDA [1]		**33,564**		67,225
Net income (loss) [1]	**$**	**(41,395)**	$	22,807
Capital investments				
Investments in oil and natural gas assets [1]	**$**	**26,394**	$	47,816
Statement of financial position				
Available funding [1]	**$**	**22,159**	$	18,619
Net working capital / (deficit) [1]	**$**	**3,781**	$	(7,434)

(1) Refer to Advisories & Guidance on page 55 and the Operational and Financial Results section on pages 4-7 for additional information regarding the Company's GAAP and non-GAAP financial measures.

HIGHLIGHTS FOR THE COMPANY DURING THE 2023 FINANCIAL YEAR WERE:

- Calima made significant progress during the 2023 financial year with the sale of the Montney Assets to Advantage Energy for total asset sales of $12.0 million that closed during the year and signing a definitive agreement on December 27, 2023 for the sale of Blackspur Oil Corp to Astara Energy Corp for $81.6 million which closed on February 27, 2024.
- The Company has returned $10 million to shareholders and is presently finalising an ATO ruling to return a further $80 million (12.6 cents per share) subject to shareholder approval.
- Post distribution, Calima will have ~A$5-6 million in cash and on-going production from the Paradise Field in British Columbia.

CHAIRMAN LETTER
For the year ended 31 December 2023

It is with great pleasure that we present to you our annual report for the 2023 financial year. We are pleased to report that it was a year of significant progress for Calima Energy Limited (ASX: CE1) ("Calima", "Calima Group", "the Company").

After many years investing and operating in Canada, we disposed of our two primary assets; the Montney gas condensate acreage in North-East British Columbia in July 2023 and the Blackspur Oil production business in Alberta in February 2024. Canada has world class energy assets, great experienced people and very strong environmental, social and governance, however for some time our market capitalization was substantially less than the intrinsic value of our assets resulting in a disconnect for stakeholders.

Our asset sales have generated in excess of A$93 million in sales proceeds, of which over 94% has or will be returned to shareholders as a capital distribution.

Post capital distribution, which we anticipate will occur in 2nd quarter 2024, Calima Energy Limited will be seeking new investment opportunities with a remaining cash balance of approximately A$5 – 6 million. Due to ASX listing rules in Australia, should we not acquire a suitable asset by 2 July 2024, the ASX has advised us that our securities will be suspended from trading until we do so.

I would like to thank all our stakeholders for their support over the years. To our Canadian employees, contractors, advisors and others, thank you for your great efforts and contribution to the business.

Thank you for your continued support.

Glenn Whiddon
Executive Chairman

ABOUT CALIMA ENERGY LIMITED

Following the sale of Blackspur Oil Corp and the Montney Assets, the Company's focus has shifted to maintaining production from the Paradise Field in British Columbia and acquiring additional oil and gas assets. The Company is dedicated to responsible corporate practices, and places high value on adhering to strong Environmental, Social and Governance ("ESG") principles.

OPERATIONAL AND FINANCIAL RESULTS

For the year ended 31 December 2023

Production and sales

Sales volumes	Year ended 31 December 2023	Year ended 31 December 2022
Oil (bbl)	**876,285**	909,666
Natural gas (Mcf)	**3,364,818**	2,942,815
Natural gas liquids (bbl)	**39,624**	31,153
Total sales volume (boe)	**1,476,712**	1,431,288
Average daily sales volume (boe/d)[1]	**4,046**	3,921
Liquids percentage	**62%**	66%

Realised prices and sales

		Year ended 31 December 2023		Year ended 31 December 2022
Realised prices				
Oil (A$/bbl)	**$**	**91.49**	$	111.70
Natural gas (A$/Mcf)		**3.16**		6.11
Natural gas liquids (A$/bbl)	**$**	**64.51**	$	81.86
Oil and natural gas sales (A$ thousands)				
Oil	**$**	**80,170**	$	101,606
Natural gas		**10,640**		18,269
Natural gas liquids		**2,556**		2,590
Total oil and natural gas sales	**$**	**93,366**	$	122,465

Adjusted EBITDA

(A$ thousands)		Year ended 31 December 2023		Year ended 31 December 2022
Oil and natural gas sales	**$**	**93,366**	$	122,465
Royalties		**(19,246)**		(23,567)
Operating and transportation expenses		**(31,623)**		(26,307)
General and administrative expenses		**(8,933)**		(5,366)
Adjusted EBITDA[1]	**$**	**33,564**	$	67,225

(1) Refer to Advisories and Guidance on page 55 for additional information regarding the Company's GAAP and non-GAAP measures.

Net income (loss)

For the year ended (A$ thousands)	Year ended 31 December 2023	Year ended 31 December 2022
Adjusted EBITDA [1]	**$ 33,564**	$ 67,225
Financing and interest	**(1,296)**	(1,170)
Deferred income tax (expense) recovery	**(2,104)**	(8,142)
Depletion and depreciation	**(21,538)**	(18,945)
Exploration expense	**(1)**	(180)
Impairment loss	**(48,333)**	-
Loss on equity investment	**(4)**	(415)
Realised loss on risk management contracts	**(623)**	(16,326)
Unrealised gain on risk management contracts	**1,691**	3,219
Share-based compensation	**(2,743)**	(2,459)
Foreign exchange and other	**(8)**	-
Net income / (loss)	**$ (41,395)**	$ 22,807

(1) Refer to Advisories and Guidance on page 59 for additional information regarding the Company's GAAP and non-GAAP measures.

Development update

(A$ thousands)	Year ended 31 December 2023	Year ended 31 December 2022
Total investment in oil and natural gas assets	**$ 26,394**	$ 47,816

Reserves update

	Reserves as at 31 December 2023 (working interest after royalties)													
	31-Dec-23			Production		Additions		Revisions		Acquisition		31-Dec-22		
	Oil/NGL (mbbl)	Gas (mmcf)	Boe (mboe)	Oil/NGL (mbbl)	Gas (mmcf)	Oil/NGL (mbbl)	Gas (mmcf)	Oil/NGL (mbbl)	Gas (mmcf)	Oil/NGL (mbbl)	Gas (mmcf)	Oil/NGL (mbbl)	Gas (mmcf)	Boe (mboe)
PDP	3,756	16,454	6,481	-760	-2,782	405	1,413	-125	1,266	0	0	4,236	16,454	6,978
1P	9,511	35,477	15,470	-760	-2,782	174	1,144	-66	1,912	0	0	10,163	35,477	16,076
Probable	2,505	10,035	4,117	0	0	30	141	-245	-505	0	0	2,720	10,035	4,392
2P	12,016	45,512	19,586	-760	-2,782	204	1,285	-310	1,407	0	0	12,883	45,512	20,468
Possible	2,258	8,820	3,711	0	0	25	182	-242	-286	0	0	2,474	8,820	3,944
3P	14,274	54,332	23,297	-760	-2,782	229	1,466	-552	1,122	0	0	15,357	54,332	24,412

Development Plan

The development plan in the 31 December 2023 Reserve Report consists of 54 (gross) wells, 45 PUD's and 6 probable locations, to be drilled over 5 years. The schedule and breakdown in each reserve category is summarised in the table below. The development plan is scheduled for proved and probable well locations to be drilled within a 5-year period. All future development capital ("FDC") for the TP and P+P reserve categories is included and reflects an increase year over year due to inflation.

Period	Rig Count	Proved	Development Well Count		
		(PUD)	Probable	Possible	Total
2024	2	10	0	0	10
2025	2	16	0	0	16
2026	2	12	0	0	12
2027	1	7	2	0	9
2028	1	0	4	0	4

Table 2: Rig and gross well count for each year

Insite Assumptions

InSite assessed all future locations they determined to be commercial. The key assumptions used by InSite to generate the Reserve Report were:

- The majority of the reserve estimates were prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

- The oil price used for all reserves analysis in this report is stated in the table at the end of this release. The reserves are disclosed net to the point of sale (reference point) and are reported net of lease fuel.

- The Company is the operator for materially all its producing wells and all the future drills.

- Operating costs for developed producing wells are based on actual costs incurred through YE2023. Operating costs for future wells and years are based on the same data and estimated following a review of operating statements, operating budgets, as well as review of public records where available. Cross checks were conducted between the revenue statements and land data to ensure they agreed. Fixed and variable costs have been assigned to the Company's active assets with remaining reserves. Operating costs associated with inactive assets as well as producing wells with no reserves assigned have been entered as separate entities at the property level.

- In conducting InSite's reserve analysis, proved, probable and possible reserve volumes were determined by volumetric, material balance, and production decline curve methods. The volumetric reserves were determined by reviewing all well logs, core, and geological data. Recovery factors were assigned after analyzing the performance of similar wells in the area. Historical well production was reviewed to determine reserves calculated by production decline curve analysis. The order of preference in choosing the methodology to be used was primarily production decline curve analysis or material balance where sufficient data was available for such analysis with volumetrics being used where there was a lack of historical data.

- 100% of the proved producing reserves were calculated based on decline analysis, oil-cut analysis and other performance/volumetric related prediction methods, compared to 45% (44% net) of the total proved reserves and 40% (40% net) of the proved plus probable reserves, and 40% (40% net) of proved plus probable plus possible reserves which used these methods. Volumetrics/simulation/analogy/type curve analyses were used to calculate the remaining percentages of reserves in each category.

- The EUR assignments are largely influenced by the production performance of existing producing wells and their associated volumetric recovery. In the case of undeveloped drilling locations, reserve assignments and production profiles are based on analogy to the offsetting producers in the nearby vicinity and/or other analogous pools.

- The probable reserves contained in the report consist of two general types:
    - Performance-related (i.e. Proved plus Probable Developed) reserves represent the best estimate overall. Proved reserves are a more conservative estimate of the recovery from wells where Possible reserves represent a more optimistic and lower probability estimate.
    - Proved plus probable reserves can also include enhanced recovery reserves which are only partially recognized under proved reserves. The "wedge" or difference between the Proved Developed and Proved plus Probable Developed cases represents 25% (26% net) of the Company's Probable reserves. The "wedge" between Proved plus Probable Developed and Proved plus Probable plus Possible Developed cases represents 37% (38% net) of the Company's Possible reserves.

- Future horizontal step-out wells represent 73% (73% net) of the Company's probable reserves.

- Future vertical step-out wells represent 1.7% (1.7% net) for the Company's probable reserves.

- The oil and gas reserve calculations and income projections upon which this report is based were determined in accordance with generally accepted evaluation practices and evaluation process was consistent with prior years.

- Proposed future well locations are allocated a reserve category based on proximity to existing wells and production.

- Probable reserves were assigned such that there is a 50% probability that the assigned reserves could be recovered, or more on an aggregated basis.

- Proved plus Probable plus Possible reserves were assigned such that there is a 10% probability that the assigned reserves could be recovered, or more on an aggregated basis.

- The production and revenue forecasts contained in the 31 December 2023 evaluation include abandonment and reclamation costs for each of the Company's existing and proposed wells that were assigned reserves in this report. These costs were determined using the Alberta Energy Regulator's Directive 011 as a base. The costs associated with abandonment, decommissioning, reclamation, and salvage of facilities, as well as inactive assets, have been entered as separately.

- The five-year development plan used for this reserve report is detailed above and assumes a multi rig program to develop a total of 54 gross well locations. The development plan assumes 2-6 wells per standard development unit and approximately 128 - 160 acre spacing.

- Anticipated drilling, completion & tie-in well costs range from C$0.8 to C$4.5 million depending on whether it's a Sunburst, Glauconitic or Sparky well.

- The development plan assumes an initial estimate of 6-14 days respectively to drill new wells.

- Average royalties payable on future well locations that were allocated reserves in this report is ~16% over the life of the wells. The land type and related royalties are either Crown or Freehold and the average royalty for the PDP forecast for 2023 is 19%.

- Each year, for the purposes of estimating undeveloped reserves, a development schedule is generated which must be appropriate and reasonable for the Company to execute on. This development plan is prepared in consultation with InSite and takes into consideration market conditions and the Company's operational capacity, including financing and historical drilling activity. The plan must also conform to the various ASX and SPE-PRMS requirements, the key points of which are:
  - the development plan is executed over a 5-year period from the effective date.
  - proved well locations must be drilled within 5 years of the date they were first certified as a reserve in previous reports.
  - The InSite evaluation has been prepared for the Company in accordance with reserves definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation ("COGE") Handbook and have been classified in accordance with the Society of Petroleum Engineers' Petroleum Resources Management System (SPE-PRMS) and reported in the most specific resource class in which the prospective resource can be classified under 2018 SPE-PRMS. The reserves presented in the InSite report are based on forecast prices and costs. The price forecast used for the reference price of oil based on Cushing, Edmonton and Western Canadian Select benchmarks, as well as the netback prices for natural gas for the major purchasers. All oil prices used in the evaluation have been adjusted from the reference price for quality and transportation; gas prices have been adjusted for heating value. Please note that the effects of any oil or gas hedging activities by the Company have not been included in this report. The reserves are disclosed net to the reference point.
  - In the context of belonging to a larger portfolio of properties and coupled with the principal of aggregation of reserves, the total portfolio reserves estimate carries a higher degree of confidence than the estimates for the individual properties.

Forward Looking Statements

This release may contain forward-looking statements. These statements relate to the Company's expectations, beliefs, intentions or strategies regarding the future. These statements can be identified by the use of words like "anticipate", "believe", "intend", "estimate", "expect", "may", "plan", "project", "will", "should", "seek" and similar words or expressions containing same. These forward-looking statements reflect the Company's views and assumptions with respect to future events as of the date of this release and are subject to a variety of unpredictable risks, uncertainties, and other unknowns. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, many of which are beyond our ability to control or predict. These include, but are not limited to, risks or uncertainties associated with the discovery and development of oil and natural gas reserves, cash flows and liquidity, business and financial strategy, budget, projections and operating results, oil and natural gas prices, amount, nature and timing of capital expenditures, including future development costs, availability and terms of capital and general economic and business conditions. Given these uncertainties, no one should place undue reliance on any forward-looking statements attributable to Calima, or any of its affiliates or persons acting on its behalf. Although every effort has been made to ensure this release sets forth a fair and accurate view, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Qualified petroleum reserves and resources evaluator statement

The petroleum reserves and resources information in this announcement in relation to Blackspur Oil Corp is based on, and fairly represents, information and supporting documentation in a report compiled by InSite Petroleum Consultants Ltd. (InSite) for the December 31, 2023 Reserves Report. InSite is a leading independent Canadian petroleum consulting firm registered with the Association of Professional Engineers and Geoscientists of Alberta. These reserves were subsequently reviewed by Mr. Graham Veale who is the VP Engineering with Blackspur Oil Corp. The InSite December 31, 2023 Reserves Report and the values contained therein are based on InSite's December 31, 2023 price deck (https://www.insitepc.com/pricing-forecasts). Mr. Veale holds a BSc. in Mechanical Engineering from the University of Calgary (1995) and is a registered member of the Alberta Association of Professional Engineers and Geoscientists of Alberta (APEGA). He has over 27 years of experience in petroleum and reservoir engineering, reserve evaluation, exploitation, corporate and business strategy, and drilling and completions. InSite and Mr. Veale have consented to the inclusion of the petroleum reserves and resources information in this announcement in the form and context in which it appears.

Liquidity and capital resources

As at 31 December 2023, the Calima Group had available funding of A$22.1 million which primarily consisted of available credit under the Credit Facility, partially offset by the Company's working capital deficit at the end of the quarter:

As at (A$ thousands)	31 December 2023	31 December 2022
Available funding		
Adjusted working capital [(1)]	**$ 3,781**	$ (7,434)
Undrawn Credit Facility capacity	**22,159**	26,053
Available funding [(1)]	**$ 25,940**	$ 18,619

1 The Completion of the sale of BSO on 27 February 2024 terminated all banking facilities.

OUTLOOK

Calima confirmed the sale of Blackspur Oil Corp. to Astara Energy Corp. was completed and net proceeds of A$81.6 million received, reflecting a provision for Canadian income tax and adjustment for Net Debt at closing. The Company intends to distribute A$80 million from the Blackspur Sale to Calima shareholders and is seeking an ATO ruling to determine the most tax effective form. A Notice of Meeting will be issued as soon as practicable following receipt of the Tax Ruling, which is expected to take up to 3 months to complete. Post distribution, Calima will have approximately A$5-6 million cash and a 100% interest in the Paradise field in British Columbia which generates approximately A$350,000 in free cash flow annually.

DIRECTORS' REPORT
For the year ended 31 December 2023

The Directors of Calima Energy Limited (**ASX: CE1**) ("**Calima**" or the "**Company**") are pleased to present the Directors' Report for the year ended 31 December 2023. This Director's Report primarily includes the financial results of Calima and its two wholly-owned Canadian subsidiaries, Blackspur Oil Corp. ("Blackspur") and Calima Energy Inc. (collectively, the "Calima Group"). Dollar figures are expressed in Australian currency unless otherwise indicated.

Principal activities
Calima is a production-focused energy company pursuing the exploration and development of oil and natural gas assets in the Western Canadian Sedimentary Basin. The Company disposed on its Montney Assets in July 2023 and sold Blackspur Oil Corp for gross proceeds of over $93 million with 94% expected to be returned to shareholders. Post distribution, Calima will have approximately A$5-6 million cash and a 100% interest in the Paradise field in British Columbia which generates approximately A$350,000 in free cash flow annually.

Significant changes in state of affairs
During the year ended 31 December 2023, the following significant changes in the entity's state of affairs occurred:
- On 10 January 2023, 200,000 Class F performance rights, 305,000 Class D performance rights and 305,000 Class E performance rights expired.
- On 11 January 2023, 280,000 Class F performance rights, 430,000 Class D performance rights and 430,000 Class E performance rights were issued.
- On 4 February 2023, 8,908,750 Class E performance rights vested.
- On 24 February 2023, 180,000 Class D performance rights, 180,000 Class E performance rights and 120,000 Class F performance rights were issued.
- On 14 March 2023, 1,000,000 performance rights were converted to ordinary shares.
- On 18 August 2023 the Company issued 12,970,000 ordinary fully paid shares pursuant to convertible securities being converted as follows: 2,061,250 Class F performance rights, 8,908,750 Class E performance rights, and 2,000,000 Class A and B performance rights.
- On 22 August 2023, 609,000 Class F and 1,835,000 Class D performance rights expired
- On 24 August 2023, 10,000 Class F performance rights lapsed.
- On 25 August 2023 the Company announced the sale of the Tommy Lakes and Montney acreage for $12 million.
- On 16 October 2023 shareholders approved a A$7.5 million (1.2c per share) capital return which was paid on 27 October 2023.
- On 18 September 2023 the Company completed an unmarketable parcel sale of 2,111,774 shares comprising 1,329 shareholders.
- On 18 December 2023 7,703,750 performance rights D expired
- On 27 December 2023 the Company entered into an agreement with Astara Energy Corp to dispose of a 100% interest in Blackspur Oil Corp. On 27 February 2024, the Calima Group completed the sale of BSO for net proceeds of $81.6 million.

Operational and financial results
The operational and financial results for the year ended 31 December 2023 have been presented on pages 4 through 7.

Principal Risks Affecting the Group
Calima's management team is focused on long-term strategic planning and has identified the key risks, uncertainties and opportunities associated with the Company's business that can impact the financial results. They include, but are not limited to, the items listed below.

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Prices, Markets and Marketing

The Company's operational results and financial condition, and therefore the amount of capital expenditures, are dependent on the prices received for oil, natural gas, and natural gas liquids ("NGLs") production. Prices for oil, natural gas and NGLs are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil, natural gas and NGLs, market uncertainty and a variety of additional factors beyond the control of the Company. A material decline in prices could result in a reduction of net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil, natural gas or NGLs and a reduction in the volumes of Calima's reserves. Management might also elect not to produce from certain wells at lower prices.

The Company's ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines or rail cars that deliver oil and natural gas to commercial markets. Deliverability uncertainties related to the distance that Calima's reserves are to pipelines, processing and storage facilities, operational problems affecting pipelines and facilities as well as government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business may also affect the Company.

These factors could result in a material decrease in the Company's expected net production revenue and a reduction in its oil and natural gas acquisition, development, and exploration activities. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the Company's carrying value of its assets and its borrowing capacity, revenues, profitability, and funds from operations.

Inflation and Cost Management

Operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. Calima's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

The cost or availability of oil and gas field equipment may adversely affect the Company's ability to undertake exploration, development, and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to Calima's operations for an expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and cash flows.

Operational Matters

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees. Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, and spills or other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment, and personal injury. As is standard industry practice, Calima is not fully insured against all risks, nor are all risks insurable. Although the Company maintains liability insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event, the Company could incur significant costs.

Reserve Estimates

The reserves and recovery information contained in Calima's independent reserves evaluation is only an estimate. The actual production and ultimate reserves from the properties may be greater or less than the estimates prepared by the independent reserves evaluator. The reserves report was prepared using certain commodity price assumptions. If lower prices for crude oil, natural gas and NGLs are realized by the Company and substituted for the price assumptions utilized in those reserves reports, the present value of estimated future net cash flows as well as the amount of the reserves would be reduced and the reduction could be significant.

Acquisitions
The price paid for acquisitions is based on engineering and economic estimates of the potential reserves made by independent engineers modified to reflect the technical views of Management. These assessments include a number of material assumptions regarding such factors as recoverability and marketability of oil, natural gas, and NGLs, future prices of oil, natural gas and NGLs, and operating costs, future capital expenditures and royalties and other government levies that will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of Management. In particular, changes in the prices of and markets for oil, natural gas and NGLs from those anticipated at the time of making such assessments will affect the value of Calima. In addition, all such estimates involve a measure of geological and engineering uncertainty that could result in lower production and reserves. Actual reserves could vary materially from these estimates.

Royalty Regimes
There can be no assurance that the federal government and the provincial governments of the western provinces will not adopt new royalty regimes or modify the existing royalty regimes which may have an impact on the economics of the Company's projects. An increase in royalties would reduce Calima's earnings and could make future capital investments, or operations, less economic.

Variations in Foreign Exchange Rates and Interest Rates
World commodity prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently, affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar negatively affects production revenues. Future Canadian/United States exchange rates could accordingly affect the future value of reserves as determined by independent evaluators.

An increase in interest rates could result in a significant increase in the amount Calima pays to service debt, resulting in a reduced amount available to fund its exploration and development activities.

Third Party Credit Risk
Calima assumes customer credit risk associated with oil and gas sales, financial risk management contracts and joint venture participants. In the event that Calima's counterparties default on payments to Calima, cash flows will be impacted. A diversified customer base is maintained and exposure to individual entities is reviewed on a regular basis.

ENVIRONMENTAL RISKS

General Risks
All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. The Company conducts its operations with high standards in order to protect the environment, its employees and consultants, and the general public. Although Calima believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on Calima's business, financial condition, results of operations and prospects.

There remains a great deal of uncertainty as to what regulatory measures will be developed by the provinces or in concert with the federal government to address the decommissioning liabilities and environmental liabilities in the future. In addition, the provincial and/or federal government decisions has had an impact and is expected to continue to have an impact on how much credit lenders are willing to provide to oil and gas companies. This could impact Calima's ability to obtain financing on acceptable terms and the willingness of the Company's lenders to continue to provide credit to the Company.

Climate Change Risks
Our exploration and production facilities and other operations and activities emit greenhouse gasses ("GHG") which may require us to comply with federal and/or provincial GHG emissions legislation. Climate change policy is evolving at regional, national, and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place to prevent climate change or mitigate our effects. The direct or indirect costs of compliance with GHG-related regulations may have a material adverse effect on our business, financial condition, results of operations and prospects. Some of our significant facilities may ultimately be subject to future regional, provincial and/or federal climate change regulations to manage GHG emissions. In addition, climate

change has been linked to long-term shifts in climate patterns and extreme weather conditions both of which pose the risk of causing operational difficulties.

PROJECT RISKS

Calima manages a variety of small and large projects. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. Calima's ability to execute projects and market oil depends upon numerous factors beyond the Company's control, including:

- commodity prices and oil differentials;
- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing, or Calima's ability to dispose of water used or removed from strata at a reasonable cost and within applicable environmental regulations;
- the supply of and demand for oil;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour; and
- the regulation of the oil industry by various levels of government and governmental agencies.

Because of these factors, Calima could be unable to execute projects on time, on budget, or at all, and may be unable to market the oil that the Company produces.

CYBER-SECURITY

The Company employs and depends upon information technology systems to conduct its business. These systems have the potential to introduce information security risks, which are growing in both complexity and frequency and could include potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of Calima's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to our business activities or our competitive position. Further, disruption of critical information technology services, or breaches of information security, could have a negative effect on the Company's assets, performance and earnings, as well as on the Company's reputation. The significance of any such event is difficult to quantify but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

Environmental regulation and performance

The Calima Group's operations are subject to Canadian Federal and Provincial environmental regulations. These regulations govern the Company's exploration, development and production of oil and gas reserves in the Western Canadian Sedimentary Basin. The regulations include, among other things, standards for emissions management, hydrocarbon handling and spill response as well as reclamation and abandonment requirements. Compliance with applicable standards is addressed through regular monitoring by the Company and through external audits conducted by regulatory authorities and consultants of Calima. There were no significant breaches of environmental regulations during the year ended 31 December 2023.

Events after the reporting period

The following events occurred subsequent to the year ended 31 December 2023:

- On 5 January 2024 the Company announced the sale of Blackspur Oil Corp. to Astara Energy Corp. On 27 February 2024, the Calima Group completed the sale of BSO for net proceeds of $81.6 million. An impairment loss of $45.7million has been recognized in the 31 December 2023 financial statements related to this sale.
- On 26 February 2024 the Company issued 7,360,000 ordinary fully paid shares pursuant to convertible securities being converted as follows: 7,230,000 Class G performance rights and 130,000 Class F performance rights.

Since the year ended 31 December 2023, the Directors are not aware of any other matter or circumstance that has significantly or may significantly affect the operations of the Company that has not already been disclosed in this Annual Report.

Likely developments and expected results

For 2024, the Calima Group intends to distribute A$80 million to shareholders. It is expected that on 2 July 2024, being six months from the date of the announcement of the execution of the Sales Agreement with Astara Energy Corp, the ASX is likely to suspend the Company's securities from official quotation. Calima has made submissions to the ASX to extend this timeframe.

Dividends

No dividend has been paid or declared by the Company to shareholders since the end of the financial year. The Company may elect to pay future dividends during financial periods when it is considered appropriate to do so.

Stock options and performance rights

Equity compensation arrangements As at 31 December 2023	Number of unit holders	Number of unlisted units (thousands)	Date of expiry
Unlisted options – exercisable at $0.1838 per share (employees)	17	10,950	May 2026
Unlisted options – exercisable at $0.1838 per share (service Providers)	6	2,500	April 2024
Unlisted options – exercisable at $0. 1838 per share (employees)	3	850	Jan 2027
Unlisted options – exercisable at $0.1438 per share (service provider-fully vested)	1	1,500	Oct 2025
Unlisted options – exercisable at $0.14388 per share (service provider-fully vested)	1	1,000	Nov 2024
Unlisted options – exercisable at $0.1838 per share (service provider-fully vested)	1	1,500	Nov 2024
Class C Performance rights – May 2021 grant	2	2,500	May 2026
Class F Performance rights – 2022 grant	28	2,272	Jun 2026
Class G Performance rights - 2023 grant (vested)	18	7,230	Dec 2026

Additional details regarding the Company's outstanding unlisted options and performance rights are included in the remuneration section of the Director's report and in the consolidated financial statements for the year ended 31 December 2023.

Indemnification of officers and insurance

The Calima Group has indemnified Directors and certain officers against any claims and related expenses which arise because of work completed in their respective capabilities. The Group has also paid premiums in respect of a contract insuring all the Directors and Officers of Calima Energy Limited against costs incurred in defending proceedings except for conduct involving a wilful breach of duty or a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001. The total amount of insurance contract premiums paid in the year was $196,904 (2022: $197,727).

Directors and Key Management Personnel ("KMP")

The names of the Directors of Calima in office as of the date of this report are as follows:

Glenn Whiddon **BCom** **Executive Chairman**	Mr Whiddon has an extensive background in equity capital markets, banking and corporate advisory, with a specific focus on natural resources. Mr. Whiddon holds a degree in Economics and has extensive corporate and management experience. He is currently Director of a number of Australian and international public listed companies in the resources sector. Mr. Whiddon was formerly Executive Chairman, Chief Executive Officer and President of Grove Energy Limited, a European and Mediterranean oil and gas exploration and development company.	**Appointed 2 June 2015** **Interest in Securities at 31 Dec. 2023** ▪ Direct shares 3,255,842 ▪ Indirect shares (1) 19,659,142 ▪ Performance rights (unvested) 1,680,000 **Other directorships held in listed entities over the last 3 years** ▪ Minrex Resources Ltd - since June 2023 ▪ Caprice Resources Limited – since January 2024 ▪ Carbine Resources Ltd – since August 2023
Karl DeMong **BSc (Mechanical**	Karl is a Canadian oil and gas engineer based in Calgary. He is an experienced technical advisor in unconventional and conventional fields both domestic	Appointed 1 April 2022 and on 27 July 2023, Karl DeMong was appointed as President & CEO of Blackspur Oil Corp

Engineering) **Executive Director**	(in the Brooks and Thorsby areas) and international. He holds several patents in surface and downhole oil and gas technologies. Mr. DeMong's prior roles include Apache Corporation, QuickSilver Resources Canada, Inc, Quantum Reservoir Impact, Sabretooth Energy and Halliburton Drilling Services.	**Interest in Securities at 31 Dec. 2023** ▪ Direct shares 700,000 ▪ Performance rights 60,000 **Other directorships held in listed entities over the last 3 years** None
P.L. (Lonny) Tetley **Blaw, Bcom** **Non-Executive Director**	Lonny Tetley is a securities lawyer and partner at Burnet, Duckworth and Palmer LLP with over 15 years of experience in corporate finance and the oil and gas industry. Mr. Tetley serves on the Board of a number of companies including Certarus Ltd., Beyond Energy Services & Technology Corp. and Accelerate Financial Technologies Inc. He is also a member of the Private Funds Independent Review Committee of Deans Knight Capital Management Ltd.	Appointed 28 May 2021 **Interest in Securities at 31 Dec. 2023** ▪ Direct shares 470,000 ▪ Unlisted options 300,000 ▪ Performance rights 60,000 (unvested) **Other directorships held in listed entities over the last 3 years** ▪ None
Mark Freeman **CA, F.Fin** **Finance Director & Company Secretary**	A Chartered Accountant with more than 20 years' experience in corporate finance and the resources industry. He has experience in strategic planning, business development, mergers and acquisitions, North American gas commercialisation, and project development general management. Mr. Freeman has worked with a number of successful public resource companies. A graduate of the University of Western Australia with a Bachelor of Commerce Mr. Freeman also holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia.	Appointed 23 June 2021 **Interest in Securities at 31 Dec. 2023** ▪ Indirect shares 3,132,492 ▪ Performance rights 1,216,000 (unvested) **Other directorships held in listed entities over the last 3 years** ▪ Doriemus Energy PLC – since 25 May 2022 ▪ Grand Gulf Energy Ltd – resigned 8/4/22 ▪ Pursuit Minerals Ltd – resigned 31/8/23 ▪ Roquefort Therapeutics PLC – resigned 16/09/22
Rod Monden **CFO**	Mr. Monden is a chartered professional accountant with 25 years of senior progressive financial experience in the energy sector, holding such positions as Manager Financial Reporting, Controller, VP Finance and CFO, with private and publicly reported companies in Canada.	Appointed as CFO 18 July 2023 **Interest in Securities at 31 Dec. 2023** ▪ Performance rights 1,000,000 (vested)

* Glenn Whiddon: Please note that Mr. Whiddon only has a control in 5,791,549 shares in the indirect holdings. Mr. Whiddon does not control the remaining indirect holdings. They are held independently of Mr. Whiddon and are only included for good corporate governance purposes. Mr. Whiddon has no relevant interest in the indirect holdings.

On 27 July 2023 Mr Jordon Kevol resigned from the Board as Managing Director. Mr Kevol was appointed on 30 April 2021 and served as Director until his resignation. On 5 July 2023 Mr Jerry Lam resigned as CFO.

Director meetings

	Directors' Meetings
Number of meetings held	**8**
Meeting attendance:	
Glenn Whiddon	**8 of 8**
Jordan Kevol	**4 of 4**
Karl DeMong	**8 of 8**
Lonny Tetley	**8 of 8**
Mark Freeman	**8 of 8**

Remuneration report (audited)

Introduction

The Directors and key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Remuneration levels for Directors and key management personnel are competitively set to attract and retain appropriately qualified and experienced Directors and executives.

The Board is responsible for remuneration policies and practices. The Board assesses the appropriateness of the nature and amounts of remuneration of officers and employees on a periodic basis and makes recommendations to the Board. The Board, where appropriate, seeks independent advice on remuneration policies and practices, including remuneration packages and terms of employment. No independent advice was received in the current year. The Calima Group's securities trading policy regulates dealings by Directors, officers and employees in securities issued by the Group. The policy imposes trading restrictions on all Directors, key management personnel and employees of the Group and their related companies who possess inside information.

Remuneration strategy

At the Board's discretion, the Calima Group's remuneration practices are made available to the Company's directors, senior management, employees, consultants and other contractors that may perform work on behalf of the business (collectively, the "Service Providers"). The remuneration structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Group.

The Calima Group has the following remuneration plans in place. A summary of these Plans is set out below:

- A **Fixed remuneration Plan** that provides for salaries or fees paid to Service Providers in respect of baseline employment, consulting or contracting activities provided to the Calima Group,
- A **Short-Term Incentive Plan ("STIP")** that provides for cash bonuses to be paid annually based on a combination of individual and corporate performance over the previous year,
- A **Stock Option Plan ("SOP")** that provides for short-term or long-term equity incentives that generally vest over certain continuous employment conditions; and
- A **Performance Rights Plan ("PRP")** that provides for long-term equity incentives that may vest upon on the achievement of certain performance-based thresholds or continuous employment conditions.

The Board is of the opinion that these incentive plans achieve the following outcomes:

- Attract and retain staff and management to pursue the Group's strategy and goals;
- Align the interests of the Group's employees with that of the Company's shareholders;
- Provide fair and reasonable reward for past individual and Group performance; and
- Incentivise service providers to deliver future individual and Group performance.

Fixed remuneration

Fixed remuneration consists of the base remuneration paid to directors, offices and employees of the Calima Group (which is calculated on a total cost basis and includes any Fringe Benefit Tax charges related to employee benefits), as well as employer contributions to superannuation funds. Remuneration levels are reviewed annually by the Board where applicable. The process consists of a review of Group and individual performance, length of service, relevant comparative remuneration internally and externally and market conditions.

Short Term Incentive Plan (STIP)

The STIP provides for the payment of discretionary cash bonuses to Service Providers of the Calima Group on an annual basis in respect of their performance and the overall performance of the Company during the previous financial year. The STIP establishes maximum bonus levels as a percentage of salary by grade of employee and a guideline framework for calibrating the actual bonus against the maximum according to certain parameters of individual and corporate performance. However, all bonus payments are entirely at the discretion of the Board and there are no contractual bonus entitlements under the STIP.

Stock Option Plan (SOP)

The SOP provides for the issuance of stock options to Service Providers of the Calima Group on a periodic basis generally to provide a long-term equity incentive. Stock options are issued for nil consideration and generally carry an exercise strike price that is either at or above the Company's share price at the date of grant. Subject to the satisfaction of the vesting conditions given to eligible participants, each exercised stock option will be eligible to receive the equivalence of one common share. In satisfaction of the share issuance from treasury, the option holder pays cash consideration to the Company equal to exercised strike price.

The primary non-market-based vesting condition for the Company's SOP units issued to employees is generally continuous employment. However, the Calima Group may also issue stock options to non-employee related Service Providers with vesting terms that align to performance term under the service contract. Stock options grants may also be subject to certain other market-based on non-market-based performance conditions, at the Board discretion. No stock options were issued to key management personnel during the financial year.

Performance Rights Plan (PRP)
The PRP provides for the issuance of stock options to Service Providers of the Calima Group on a periodic basis generally to provide a long-term equity incentive. The PRP is open to any eligible persons who are full-time or permanent part time employees of the Company, or a related body corporate which includes directors, the company secretary and officers or other such persons as the Board determines to be eligible to receive such grants under the PRP. The Performance Rights are issued for nil cash consideration and no consideration will be payable upon the vesting of the Performance Rights. Subject to the satisfaction of the vesting conditions given to eligible participants, each PRP unit will be eligible to receive the equivalence of one common share. Vesting conditions, if any, are determined by the Board from time to time and set out in individual offers for the grant of Performance Rights. Performance rights are subject to certain market-based on non-market-based performance conditions, at the Board discretion, which generally include a share price target and/or continuous employment obligations.

During the year ended 31 December 2023, Calima issued 7,230,000 million Class G performance rights to employees and consultant, these securities were to vest following continued service of the holder for periods of two years from issue date or on the sale of the BSO Assets exceeding $80 million. As at 31 December 2023, all of the units were vested. No directors participated in this issue, 1,000,000 units were issued to a KMP, Mr Rod Monden.

Non-executive Directors
There are no termination or retirement benefits for non-executive Directors (other than statutory superannuation). The maximum available pool of fees is set by shareholders in general meeting and is currently $350,000 per annum.

Service contracts
Remuneration and other terms of employment for Executive Directors and other key management personnel are formalised in service agreements and letters of employment (conditions of employment). All parties continue to be employed until their employment is terminated. For executive employment contracts, at a minimum, employees must provide one months' notice of departure and the employer must provide at least three-months' notice (without cause). For non-executive terminations, at a minimum, employees must give two-weeks' notice and the employer must give statutory required notice. The Company may make payment in lieu of notice. Key management personnel are entitled to receive, on termination of employment, statutory entitlements of vested annual and long service leave, together with post-employment benefits. Any options or rights awarded but not vested at the time of resignation will be cancelled unless the Board advises otherwise at its own discretion.

Employment contracts do not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year with consideration of employment market conditions, changes in the scope of the role performed by the employee and changes in remuneration policy set by the Board. Details of the remuneration of the Directors of the Company and key management personnel are set out in the following tables below.

Key management personnel ("KMP")
The key management personnel of the Company in 2023 included the following officers:

KMP	Role at Calima	2023 Update
Glenn Whiddon	**Executive Chairman**	-
Karl DeMong	**Managing Director Blackspur Oil Corp**	Appointed MD of BSO on 27 July 2023
Mark Freeman	**Finance Director & Company Secretary**	-
P.L. (Lonny) Tetley	**Non-Executive Director**	-
Jordan Kevol	**CEO & Managing Director**	Resigned 27 July 2023
Rod Monden	**CFO**	Appointed 18 July 2023
Jerry Lam	**VP Finance & CFO, Canada**	Resigned 5 July 2023

Remuneration overview
Amounts recognised in respect of remuneration plans are detailed in the table below. The STIP, SOP and PRP are considered performance related. Although the stock options grants have no market-based performance conditions, they were issued at an exercise price that was out of the money at grant date, which encourages the employees to remain with the Company and work towards achieving share price growth. The value of options and rights shown in the tables below represent the vesting expense, measured in accordance with Australian Accounting Standards, for awards granted in the current or previous financial years. The Corporations Act requires disclosure of the Calima Group's remuneration policy to contain a discussion of the Company's earnings, performance, and the effect of the performance on shareholder wealth during the current reporting period and the four previous financial years.

The following table below provides a five-year financial performance summary to the end of 31 December 2023:

As at and for the year ended 31 December	2023	2022	2021	2020	2019
Adjusted EBITDA [1]	**33,564**	67,225	21,557	(1,169)	(2,582)
Net income (loss)	**(41,395)**	22,807	(31,980)	(6,395)	(1,584)
Earnings (loss) per share (diluted) [2]	**(0.07)**	0.04	(0.08)	(0.06)	(0.02)
Working capital surplus (net debt) [1]	**3,781**	(11,021)	(27,805)	(382)	4,415
December 31 share price	**0.065**	0.13	0.21	0.16	0.14

(1) Refer to Advisories and Guidance for additional information regarding the Company's non-GAAP financial measures.
(2) Information presented in this table, including comparative figures, have been adjusted to reflect the impact of the share consolidation on August 30, 2021, at a conversion rate of 20:1.

The payment of STIP bonuses are at the discretion of the Board, having regard to the overall performance of the Company and the performance of the individual. The following tables summarise the remuneration accrued to KMP during the year ended 31 December 2023 and 2022:

KMP	Salaries, fees & benefits	Severance	Benefits	Perf. rights [1][8]	Stock options [8]	Total	Performance related (%)
Glenn Whiddon	233,600	-	12,000	198,404	-	**444,004**	**45%**
Karl DeMong [2]	341,940	-	-	55,127	-	**397,066**	**14%**
Mark Freeman [3]	216,000	-	8,000	213,034	-	**437,034**	**49%**
P.L. (Lonny) Tetley [4]	48,000	-	-	55,127	4,408	**107,534**	**55%**
Rod Monden [5]	106,644	-	6,552	87,000	-	**200,196**	**43%**
Jordan Kevol [6]	237,084	450,930	51,910	6,947	(29,934)	**716,937**	**(3%)**
Jerry Lam [7]	145,546	-	8,876	45,267	-	**199,689**	**23%**
Total	1,328,814	450,930	87,339	660,905	(25,526)	**2,502,461**	**22%**

(1) Vesting expense for the fair value of share-based awards determined at grant date in accordance with Australian Accounting Standards.
(2) Mr DeMong was appointed as a managing director on 27 July 2023.
(3) Excluded is $32,000 paid to Meccano Consulting Pty Ltd, a company controlled by Mr. Freeman for third party bookkeeping services.
(4) Excluded is $347,618 paid to Burnett, Duckworth & Palmer LLP, a legal firm which Mr. Tetley is a partner. These fees are in relation to legal services.
(5) Mr. Monden was appointed 18 July 2023.
(6) Mr Kevol resigned as a director on 27 July 2023. In accordance with his contract Mr Kevol severance payment was C$445,500.
(7) Mr. Lam was appointed 13 October 2022 and resigned on 5 July 2023.
(8) The Performance Rights and Stock Options were Equity Settled

KMP	Salaries, fees & benefits	Bonuses	Benefits	Perf. rights [1][8]	Stock Options[8]	Total	Performance related (%)
Glenn Whiddon	186,400	30,000	12,000	207,571	-	**435,971**	**54%**
Mark Freeman [2]	207,000	30,000	8,000	224,035	-	**469,035**	**54%**
Brett Lawrence [3]	9,000	-	-	-		**9,000**	**-**
P.L. (Lonny) Tetley [4]	41,333	-	-	53,521	10,248	**105,102**	**61%**
Jordan Kevol	311,836	66,425	12,826	235,493	85,395	**711,975**	**54%**
Karl DeMong [5]	161,959	-	-	53,521	-	**215,480**	**25%**
Jerry Lam [6]	109,157	13,838	8,947	40,233	-	**172,175**	**31%**
Braydin Brosseau [7]	106,141	-	8,419	-	(13,464)	**101,096**	**(13%)**
Total	1,132,826	140,263	50,192	814,374	82,179	**2,219,834**	**47%**

(1) Vesting expense for the fair value of share-based awards determined at grant date in accordance with Australian Accounting Standards.
(2) Excluded is $32,000 paid to Meccano Consulting Pty Ltd, a company controlled by Mr. Freeman for third party bookkeeping services.
(3) Mr. Lawrence resigned on 1 April 2022.
(4) Excluded is $118,033 paid to Burnett, Duckworth & Palmer LLP, a legal firm which Mr. Tetley is a partner. These fees are in relation to legal services. The salaries, fees & benefits reported in the chart above represents the value of 180,000 common shares issued to Mr. Tetley as compensation for serving as a director.
(5) Mr. DeMong was appointed 1 April 2022.
(6) Mr. Lam was appointed 13 October 2022.
(7) Mr. Brosseau resigned on 16 May 2022.
(8) The Performance Rights and Stock Options were Equity Settled

The following table summarises the equity compensation units granted to directors and key management personnel during the year ended 31 December 2023:

KMP	Performance rights Class G [1]	Year of expiry
Rod Monden	1,000,000	2027

(1) 50%/50% of the Class F performance rights become vested following continued service of the holder as a consultant or employee of the Company for 12/24 months from issuance date and in the event the BSO assets sell for a value in excess of $80 million. These securities fully vested during the year.

The Class G performance rights that were issued to Management in November 2023 were granted primarily in order to retain KMP and incentivise future short-term and long-term share price performance. The Class G performance rights vest 50% in year 1 and the balance in the second anniversary from issue and in the event the Company sells Blackspur Oil Corp in excess of $80 million. This vesting hurdle was achieved. The performance-based compensation arrangements have vested following the sale of Blackspur Oil Corp. The following table summarises the valuation assumptions utilised to measure the value of equity compensation issued to KMP during the year ended 31 December 2023:

Valuation input assumptions	Performance Rights
KMP	**R Monden**
Equity unit type	Class G
Units granted to KMP	1,000,000
Grant date	21 Nov 2023
Expiry date	21 Nov 2026
Valuation model	Black Scholes
Share price at grant date ($)	0.087
Exercise price ($/share)	Nil
Volatility (%)	85
Risk-free rate (%)	4.316
Expected life (years)	3
Fair value ($/share)	0.087

The following tables summarise the changes in performance rights held by KMP during the year ended 31 December 2023:

KMP Performance rights	Balance Jan. 1, 2023	Units granted	Units Exercised	Units expired	KMP resignation	Balance Dec. 31, 2023	Units Vested
Glenn Whiddon	4,300,000	-	(1,870,000)	(750,000)	-	1,680,000	-
Karl DeMong	600,000	-	(290,000)	(250,000)	-	60,000	-
Mark Freeman	4,160,000	-	(2,044,000)	(900,000)	-	1,216,000	-
P.L. (Lonny) Tetley	600,000	-	(290,000)	(250,000)	-	60,000	-
Rod Monden [(1)]	-	1,000,000	-			1,000,000	1,000,000
Jordan Kevol [(2)]	2,640,000	-	(1,276,000)	-	(1,364,000)	-	-
Jerry Lam [(3)]	1,500,000	-	-	-	(1,500,000)	-	-
Total	13,800,000	1,000,000	(5,770,000)	(2,150,000)	(2,864,000)	4,016,000	1,000,000

(1) Mr. Monden was appointed 18 July 2023.
(2) Mr Kevol resigned on 27 July 2023.
(3) Mr. Lam resigned on 5 July 2023.

The following tables summarise the changes in options held by KMP during the year ended 31 December 2023:

KMP Options	Balance Jan. 1, 2023	Units granted	Units Exercised	Units expired	KMP resignation	Balance Dec. 31, 2023	Units vested
P.L. (Lonny) Tetley	300,000	-	-	-	**-**	**300,000**	**200,000**
Jordan Kevol [(1)]	2,500,000	-	-	(850,000)	**(1,650,000)**	**-**	**-**
Total	2,800,000	-	-	(850,000)	**(1,650,000)**	**300,000**	**200,000**

(1) Mr Kevol resigned on 27 July 2023.

The following tables summarise the changes in shareholdings of KMP during the year ended 31 December 2023:

KMP Direct interest	Balance Jan. 1, 2023	Shares acquired	Shares Disposed	Shares Issued in lieu of fees	KMP resignation	Balance Dec. 31, 2023
Glenn Whiddon	**1,385,841**	1,870,000	-	-	-	**3,255,842**
Karl DeMong	**160,000**	540,000	-	-	-	**700,000**
Mark Freeman	**-**	-	-	-	-	**-**
P.L. (Lonny) Tetley	**180,000**	290,000	-	-	-	**470,000**
Rod Monden	-	-	-	-	-	**-**
Jordan Kevol [(1)]	**3,819,409**	1,276,000	-	-	(5,095,409)	**-**
Jerry Lam	**-**	-	-	-	-	**-**
Total	**5,545,250**	3,976,000	-	-	(5,095,409)	**4,425,842**

(1) Mr. Kevol resigned from the Board on 27 July 2023. Accordingly, Mr. Kevol's shareholdings have been excluded from the KMP table disclosure as at 31 December 2023.

KMP Indirect interest	Balance Jan. 1, 2023	Shares acquired	Shares Disposed	Shares Issued in lieu of fees	KMP resignation	Balance Dec. 31, 2023
Glenn Whiddon [1]	16,940,132	2,719,010	-	-	-	**19,659,142**
Karl DeMong	-	-	-	-	-	**-**
Mark Freeman	638,492	2,494,000	-	-	-	**3,132,492**
P.L. (Lonny) Tetley	-	-	-	-	-	**-**
Rod Monden	-	-	-	-	-	**-**
Jordan Kevol	319,359	-	-	-	(319,359)	**-**
Jerry Lam	-	-	-	-	-	**-**
Total	17,897,983	5,213,010	-	-	(319,359)	**22,791,634**

(1) Mr Whiddon has control of 5,722,539 shares in the indirect holdings. Mr Whiddon does not control the remaining indirect holdings. They are held independently of Mr Whiddon and are only included for good corporate governance purposes. Mr Whiddon has no relevant interest in the remaining indirect holdings.

Other transactions with KMP

For the year ended 31 December 2023, in addition to remuneration paid as disclosed above, $347,618 was paid to Burnett, Duckworth & Palmer LLP,. A related party to Mr. Tetley, for legal services related to the sale of the Company's assets and A$32,000 was paid to Meccano Consulting Pty Ltd., a related party to Mr. Freeman, for bookkeeping services related to the Company's operations. As at 31 December $222,000 remained unpaid to Mr. Tetley and $nil remained unpaid to Mr. Freeman.

For the year ended 31 December 2022, in addition to remuneration paid as disclosed above, $118,033 was paid to Burnett, Duckworth & Palmer LLP,. A related party to Mr. Tetley, for legal services and $32,000 to Meccano Consulting Pty Ltd., a related party to Mr. Freeman, for bookkeeping services related to the Company's operations (not included in the table above). As at 31 December $nil remained unpaid to Mr. Tetley and $nil remained unpaid to Mr. Freeman.

There were no other transactions with KMP.

Changes in Holdings subsequent to year end

Since 31 December 2023 the following changes have occurred:

- On 12 February 2024, Mr Glenn Whiddon transferred 500,000 shares to a related entity and acquired an additional 1 million shares directly and a further 1 million shares through a related entity.
- On 16 February 2024, Mr Glenn Whiddon through a related entity acquired 2,500,000 shares

END OF REMUNERATION REPORT (AUDITED)

Proceedings on behalf of the company

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important. Details of the amount paid or payable to the auditor for services provided during the year are set out in Note 22. For the year ended 31 December 2023, there were non-audit related services provided by the Company's auditors, PricewaterhouseCoopers (PwC) and BDO Audit Pty Ltd ("BDO").

The board of directors, are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 48. No officer or director of Calima belonged to an audit practice that audited the Company during the year.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the Director's Report and the financial report. Amounts in the Director's Report and half year financial statements have been rounded off to the nearest thousand dollars in accordance with the instrument unless otherwise specified.

Signed in accordance with a resolution of the Directors.

Glenn Whiddon
Executive Chairman
28 March 2024

CALIMA ENERGY LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Loss)
(thousands of Australian dollars)

For the year ended	Notes		31 December 2023		31 December 2022 (1)
Continuing operations					
Revenue					
Oil sales		**$**	**1,103**	$	637
Royalties expense			**(51)**		(38)
			1,052		599
Expenses					
Operating			**264**		386
Transportation			**36**		36
Depletion and depreciation			**264**		628
General and administrative			**1,793**		2,293
Financing and interest			**23**		125
Share-based compensation			**1,433**		2,024
Foreign exchange gain			**8**		(28)
			3,821		5,464
Net income (loss) before income taxes			**(2,769)**		(4,864)
Income tax (expense) benefit	9		**-**		375
Net income (loss) from continuing operations after tax			**(2,769)**		(4,489)
Net income (loss) from discontinued operations after tax	7		**(38,626)**		27,296
Net income (loss)			**(41,395)**		22,807
Other comprehensive income (loss)					
Items that may be reclassified subsequently to profit and loss					
Gain (loss) on foreign currency translations continuing operations	21		**311**		(157)
Gain (loss) on foreign currency translations discontinued operations	21		**3,370**		(883)
Total comprehensive income (loss)		**$**	**(37,714)**	$	21,767
Total comprehensive income for the year attributable to owners of Calima Energy Limited arises from:					
Continuing operations			**(2,458)**		(4,646)
Discontinuing operations			**(35,256)**		26,413
Total comprehensive income (loss)		**$**	**(37,714)**	$	21,767
Net income (loss) per share from discontinued operations					
Basic	15	**$**	**(0.06)**	$	0.05
Diluted	15	**$**	**(0.06)**	$	0.05

See accompanying notes to the consolidated financial statements.

(1) Comparative period has been restated to reflect the discontinued operations, see note 7

CALIMA ENERGY LIMITED
Consolidated Statement of Financial Position
(thousands of Australian dollars)

As at	Notes	31 December 2023	31 December 2022
Assets			
Current assets			
Cash and cash equivalents	5	**$ 3,958**	$ 3,848
Accounts receivable	6	**104**	9,677
Deposits and prepaid expenses		**91**	674
Risk management contracts	11	**-**	218
Assets classified as held for sale	7	**117,855**	-
		122,008	14,417
Non current assets			
Oil and natural gas assets	8	**230**	154,860
Long-term deposits		**618**	646
Investments		**-**	129
Deferred income tax asset	9	**-**	4,012
		122,856	174,064
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**372**	20,939
Term loan	12	**-**	418
Lease liabilities		**-**	252
Current restoration provisions	13	**-**	242
Liabilities classified as held for sale	7	**38,874**	-
		39,246	21,851
Non current liabilities			
Term loan	12	**-**	3,369
Restoration provisions	13	**205**	23,069
		39,451	48,289
Shareholders' equity			
Share capital	14	**358,676**	366,055
Share-based payments	19	**22,136**	19,413
Foreign currency translations	21	**8,329**	4,648
Accumulated losses		**(305,736)**	(264,341)
		83,405	125,775
		$ 122,856	$ 174,064

See accompanying notes to the consolidated financial statements.

CALIMA ENERGY LIMITED
Consolidated Statement of Cash Flows
(thousands of Australian dollars)

For the year ended	Notes	31 December 2023	31 December 2022
Continuing operations			
Operating activities			
Net income (loss)		$ **(5,418)**	$ (4,489)
Items not affecting operating related cash flows:			
Depletion and depreciation	8	**264**	628
Deferred income tax recovery	9		(375)
Share-based compensation	19	**1,433**	1,932
Accretion of liabilities		**67**	95
Non-cash expenses and other		**-**	27
Funds flow from operations		**(3,653)**	(2,182)
Changes in non-cash working capital		**7,508**	(807)
Cash provided by (used in) continuing operating activities		**3,855**	(2,989)
Cash provided by discontinued operating activities	7	**34,380**	53,268
		38,235	50,279
Financing activities			
Issuance of common shares	14	**-**	20,153
Share issuance costs			(1,330)
Purchase of common shares	14	**-**	(818)
Return of capital		**(7,509)**	(2,508)
Lease payments		**(133)**	(266)
Cash provided by (used in) continuing financing activities		**(7,642)**	15,231
Cash provided by (used in) discontinued financing activities	7	**(430)**	(18,354)
		(8,072)	(3,123)
Investing activities			
Investments in oil and natural gas assets	8	**(2,051)**	(132)
Proceeds from property disposal		**11,208**	-
Cash provided by (used in) continuing investing activities		**9,157**	(132)
Cash used in discontinued investing activities	7	**(30,981)**	(46,189)
		(21,824)	(46,321)
Impact of foreign exchange translations		**(8,229)**	(350)
Increase (decrease) in cash and cash equivalents		**110**	485
Cash and cash equivalents, beginning of year		**3,848**	3,363
Cash and cash equivalents, end of year	5	$ **3,958**	$ 3,848

See accompanying notes to the consolidated financial statements.

CALIMA ENERGY LIMITED
Consolidated Statement of Changes in Equity
(thousands of Australian dollars)

For the year ended	Notes		31 December 2023		31 December 2022
Share capital					
Balance, beginning of year		**$**	**366,055**	$	350,461
Issuance of common shares, net	14		**-**		18,920
Issuance of common shares on exercise of performance warrants	14		**130**		-
Purchase of common shares	14		**-**		(818)
Return of capital			**(7,509)**		(2,508)
Balance, end of year			**358,676**		366,055
Share-based payments reserve					
Balance, beginning of year			**19,413**		16,839
Share-based compensation	19		**2,723**		2,574
Balance, end year			**22,136**		19,413
Foreign currency translation reserve					
Balance, beginning of year			**4,648**		5,688
Other comprehensive income (loss)	21		**3,681**		(1,040)
Balance, end of year			**8,329**		4,648
Accumulated losses					
Balance, beginning of year			**(264,341)**		(287,148)
Net income (loss)			**(41,395)**		22,807
Balance, end of year		**$**	**(305,736)**	$	(264,341)
Shareholders' equity, beginning of year		**$**	**125,917**	$	85,840
Shareholders' equity, end of year		**$**	**83,405**	$	125,917

See accompanying notes to the consolidated financial statements.

1. NATURE OF BUSINESS

Calima Energy Limited ("Calima" or the "Company") was incorporated under the Australian Corporations Act 2001. Calima is a production-focused energy company pursuing the exploration and development of oil and natural gas assets in the Western Canadian Sedimentary Basin. On 30 April 2021, Calima completed the acquisition of Blackspur Oil Corp. ("Blackspur"), a company that is currently developing oil and natural gas plays at Brooks and Thorsby in southern and central Alberta, Canada. Calima also holds an undeveloped Montney acreage position in northeastern British Columbia, Canada.

Calima's Australian head office is domiciled at 4/46-250 Railway Parade, West Leederville WA 6007. The Company's Canadian headquarters are located at 1000, 205 - 5 Avenue SW Calgary AB T2P 2V7. Calima's voting common shares are publicly traded on the Australian Stock Exchange under the symbol "CE1" and on the OTC under the symbol "CLMEF". These audited consolidated financial statements for the year ended 31 December 2023 (the "annual financial statements") were approved and authorised by Calima's Board of Directors on 28 March 2024.

2. BASIS OF PRESENTATION

These general-purpose financial statements consist primarily of the financial records of Calima and its two wholly-owned Canadian subsidiaries, Blackspur and Calima Energy Inc. (the "Calima Group"). Blackspur owns and operates the Brooks and Thorsby oil assets and Calima Energy Inc. owns and operates the undeveloped Tommy Lakes Montney acreage. All intercompany transactions have been eliminated.

These annual financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures that these annual financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, these annual financial statements are compliant with IFRS. Calima is a for-profit entity for the purposes of preparing the financial statements. The statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their estimated fair market value. These annual financial statements follow the same accounting policies that were utilised to prepare the audited consolidated financial statements for the year ended 31 December 2022, other than for the utilisation of certain other accounting policies and presentation formats that have been utilised to accommodate the consolidation of Blackspur's financial results. The details of these changes are discussed directly below.

The functional currency of Calima is the Australian dollar and the functional currency of both Blackspur and Calima Energy Inc. is the Canadian dollar. All amounts reported have been in presented in Australian dollars (A$ or AUD) unless otherwise noted. References to C$ denotes Canadian dollars and US$ denotes United States dollars.

3. SIGNIFICANT ACCOUNTING POLICIES

Oil and natural gas assets

Oil and natural gas assets are measured at historical cost less accumulated depletion, depreciation and impairment (net of reversals). The Company begins capitalising oil and natural gas exploration costs after the right to explore has been obtained and includes land acquisition costs, geological and geophysical activities, drilling expenditures and costs incurred for the completion and testing of exploration wells. The Calima Group capitalises all subsequent investments attributable to the development of its oil and natural gas assets if the expenditures are considered a betterment and provide a future benefit beyond one year. The Company's capitalised costs primarily consist of pad construction, drilling activities, completion activities, well equipment, processing facilities, gathering systems, pipelines and employee costs directly attributable to development.

Capitalised costs are classified as exploration and evaluation assets ("E&E") if technical feasibility and commercial viability have not yet been established. Technical feasibility and commercial viability are generally deemed to exist when proved and probable reserves are present. Generally, the acquisition of undeveloped mineral leases are initially capitalised as E&E assets and will be expensed if the lease expires, becomes impaired or management determines that no further exploration or evaluation activities are expected on the lease prior to expiry. If technical feasibility and commercial viability of E&E assets are established, the E&E assets are tested for impairment and reclassified to property, plant and equipment ("PP&E"). Costs are capitalised directly as PP&E if they are attributable to the development of oil and natural gas reserves after technical feasibility and commercial viability have been achieved.

The majority of PP&E is depleted using the unit-of-production method relative to the Company's estimated total recoverable proved plus probable reserves. For the purposes of the depletion calculation, natural gas reserves and production are converted to barrels of oil equivalent based upon the relative energy content (6:1). The depletion base consists of the historical net book value of capitalised costs, plus the estimated future costs required to develop the Company's estimated recoverable proved plus probable reserves. The depletion base excludes E&E and the cost of assets that are not yet available for use in the manner intended by Management.

Impairment

The Calima Group reviews its E&E and PP&E for indicators of impairment at each reporting period. For the purposes of the review, the Company's assets are grouped into cash-generating units ("CGUs") which are defined as the smallest group of assets generating cash inflows that are largely independent from the cash inflows of other asset groups. The Calima Group's PP&E are currently held in two CGUs (Brooks and Thorsby). The majority of the Company's E&E assets are held in one CGU (Tommy Lakes Montney E&E). If impairment indicators exist, the CGU is tested for impairment and a loss is recognised to the extent that the carrying amount exceeds its estimated recoverable value.

The recoverable amount of the CGU is determined as the greater of its fair-value-less-costs-of-disposal ("FVLCOD") and its value-in-use ("VIU"). FVLCOD is based on the estimated recoverable amount from the sale of an asset or CGU in an arm's length transaction between knowledgeable parties, less the cost of disposal. In assessing VIU, the estimated future cash flows of the CGU are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, risks specific to the asset and overhead costs associated with operating the CGU. The recoverable amount of the Calima Group's CGUs is generally based on after-tax discounted future cash flows from the Company's proved plus probable reserves, contingent resources or by observable third-party land transactions adjacent to the Company's assets (Level 3 valuations). Key assumptions used to determine the recoverable amount of the CGUs include production rates, future commodity prices, discount rates and future royalty, operating and capital costs.

Following the recognition of an impairment loss, the Company reviews its CGU for indicators of impairment reversal at each subsequent reporting period. If there is observable evidence that the value of the CGU has increased significantly since the previous impairment loss, Calima performs a test for impairment reversal by comparing an updated estimate of the CGU's recoverable amount to its current carrying amount. If the Company concludes that there has been a material and substantive change in the estimates used to assess the CGU's recoverable amount, an impairment loss will be reversed to the extent that the recoverable amount exceeds its carrying value, less the incremental value of depletion and depreciation that otherwise would have been recognised by the Company, had the impairment loss not previously occurred.

Business combinations

The Company has recognised the acquisition of Blackspur utilising the acquisition method. The cost of the acquisition was measured at the fair market value of the consideration paid and liabilities assumed under the terms of the business combination agreement. Identifiable assets and liabilities acquired are generally measured and recognised at their fair value and any deferred tax assets or liabilities arising from the business combination were recognised at the acquisition date. The differential between the consideration paid and assessed fair market value of the assets and liabilities assumed is recognised as either goodwill or a gain on acquisition. The remeasurement of acquired restoration provisions to the risk-free discount rate is recognized in profit or loss as incurred. Transaction costs related to business combinations are expensed.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, deposits, risk management contracts, accounts payable, accrued liabilities, other indebtedness, investments, a term loan and a credit facility. The Calima Group's financial instruments are measured on the consolidated statement of financial position at either fair market value or amortised cost. The carrying value of the Company's financial instruments generally approximate their fair market value.

The fair value measurement of the Company's financial instruments are classified according to the following hierarchy which is ranked based on the amount of publicly observable inputs available to value the instruments:

- **Level 1** - Quoted prices that are available in active markets for identical assets or liabilities at the reporting date
- **Level 2** - Values are based on various inputs, including quoted forward prices for commodities, time value of money and volatility factors, which are observed in the marketplace but are not readily observable in an actively traded market
- **Level 3** - Valuation inputs that are not based on observable market data

The following table summarises the method by which the Calima Group measures its financial instruments on the consolidated statement of financial position and the corresponding hierarchy rating for their derived fair value estimates:

Financial Instrument	Fair value Hierarchy	Classification & Measurement
Cash and cash equivalents	Level 1	**Amortised cost**
Accounts receivable	Level 2	**Amortised cost**
Deposits	Level 2	**Amortised cost**
Accounts payable and accrued liabilities	Level 2	**Amortised cost**
Credit facility	Level 2	**Amortised cost**
Risk management contracts	Level 2	**FV through profit and loss**
Term loan	Level 3	**Amortised cost**
Other indebtedness	Level 3	**Amortised cost**

The Calima Group's risk management contracts are measured at fair market value at each reporting period. Realised gains and losses from the settlement of risk management contracts as well as unrealised gains and losses from the remeasurement of these financial instruments to fair market value at each reporting period are recognised in net income (loss) as incurred. Transaction costs related to fair value through profit and loss financial instruments are immediately expensed. Financial instruments recognised at amortised cost are accreted through net income (loss) towards their settlement value over time. Transaction costs related to financial liabilities measured at amortised costs are initially capitalised and then amortised to net income (loss) over the life of the related host instrument.

Any impairment loss of financial assets is determined by assessing and measuring the expected credit losses of the instruments at each reporting period. The Calima Group measures expected credit losses using a lifetime expected loss allowance model for all trade receivables and contract assets. The credit-loss model groups receivables based on similar credit risk characteristics and the number of days past due in order to estimate and recognise bad debt expenses. When measuring expected credit losses, the Company considers a variety of factors including evidence of the debtor's financial condition, history of collections, the term of the receivable and any changes in economic conditions.

Cash and cash equivalents consist of cash on hand and other short-term liquid investments that carry a maturity term of three months or less and presented as a current asset on the statement of financial position. All other financial instruments are presented as a current asset or liability on the statement of financial position if they are expected to be settled within 12 months of the statement of financial position date unless there is an irrevocable right to defer settlement beyond 12 months from the statement of financial position date.

Foreign currency translations

With respect to transactions and balances of the Calima Group that are denominated in a foreign currency other than their respective functional currency, monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Revenues and expenses are translated at the average foreign exchange rates during the period. Non-monetary items are translated at the foreign exchange rate in effect at the historical date of their last fair value measurement. The corresponding realised and unrealised gains and losses from these foreign currency translations are recognised in net income (loss) as incurred.

For financial reporting purposes, the presentation currency of the Calima Group is the Australian dollar. Accordingly, the Canadian dollar functional currencies of Blackspur and Calima Energy Inc. are translated to the Australian dollar presentation currency upon consolidation. Revenues and expenses are translated at the average exchange rate during the year and assets and liabilities are translated at the prevailing exchange rates at the reporting date.

The corresponding unrealised gains and losses stemming from the remeasurement of the subsidiary functional currencies to the presentation currencies at each reporting period are recognised as other comprehensive income by Calima. The corresponding cumulative foreign currency translation reserve is reflected in shareholder's equity on the consolidated statement of financial position until such time the subsidiary is disposed of, at which point, the balance is reclassified to net income (loss).

Revenue recognition

Revenues primarily relate to the sale of oil, natural gas and natural gas liquids ("NGLs") in Canada from the Company's Brooks and Thorsby assets. The products are classified and presented in the financial statements based on the physical characteristics of the hydrocarbons at the time of sale. Liquids extracted from the natural gas stream are presented as NGLs.

The Calima Group measures revenue from the sale of oil, natural gas and NGLs at the amount the Company expects to receive, which is based on an agreed upon transaction volume and price with the customer. Revenue is recognised when the Calima Group transfers control of products or provides services to a customer at the amount to which the Company expects to receive. If the consideration includes a variable component, the Group estimates the amount of the expected consideration receivable. Variable consideration is estimated throughout the contract and is constrained until it is highly probable a significant revenue reversal in the amount of cumulative revenue recognised will not occur. In most cases, revenue is recognised when the hydrocarbons have been delivered to the customer. Payment terms with the Company's customers are generally within 30 days following the month of product delivery.

The Calima Group recognises realised and unrealised gains and losses from the Company's risk management contracts which are remeasured to fair market value at each reporting period (refer to the financial instruments accounting policy). The Company also earns other income primarily from interest on its cash and cash equivalent balances held. Excluded from revenues are amounts received in respect of government grants and subsidies that are instead reflected as a reduction to the related expenditure to which the recoveries are intended to compensate.

Provisions

Provisions are liabilities that are recognised when the Calima Group has a present legal or constructive obligation as a result of a past event and it is probable that the Company will be required to settle the obligation. The Calima Group's provisions primarily consist of restoration provisions associated with the dismantling, decommissioning and site disturbance remediation activities for the Company's oil and natural gas assets.

At initial recognition, the Company recognises a restoration provision asset and corresponding liability on the statement of financial position. Restoration provisions are measured at the present value of expected future cash outflows required to settle the obligations. Restoration provisions are inflated based on the Bank of Canada's target inflation rate and then discounted to net present value using a risk-free discount rate. The liabilities are accreted upwards towards their estimated settlement value over the expected life of the assets in order to reflect the time value of money. Restoration provision assets are depleted over the remaining useful life of the related assets in order to reflect the associated decommissioning costs in net income (loss) over time. Restoration provision assets and liabilities are remeasured at each reporting period primarily to account for any changes in estimates or discount rates. Actual expenditures incurred to settle the obligations reduce the liability.

Income taxes

The Calima Group's income taxes primarily relate to deferred income taxes that are recognised in respect of the Company's earnings, which are expected in future years under the Income Tax Act (Canada) and Income Tax Assessment Act (Australia).

Deferred income tax assets and liabilities are recognised on temporary differences between the current carrying value of assets and liabilities for financial reporting purposes and their corresponding tax values. Deferred income taxes are determined on an undiscounted basis using tax rates that have been enacted or substantively enacted and that are expected to apply in future years when the temporary differences reverse. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will arise, such that the available carry-forward tax deduction can be utilised to shelter the taxable profits from income tax. The recoverability of deferred tax assets is assessed by comparing the Calima Group's tax pools to the future undiscounted cash flows from the Company's proved plus probable reserves, less estimated financing and general and administrative expenses.

Income taxes are recognised in the statement of comprehensive income, except when they relate to share capital, in which case, the taxes are recognised directly in shareholders equity. Current income tax expense (recovery) is the expected cash tax payable or receivable on the Company's taxable income (loss) during the year, using tax rates that have been enacted or substantively enacted.

Stock-based compensation

The Calima Group's stock-based compensation expense primarily relates to stock options and performance rights that are granted to employees, service providers and directors of the Company.

Grants issued under the Company's plans are initially measured at their estimated fair market value and are expensed over the vesting periods under the terms of the compensation arrangement. Upon exercise, the plans allow the holder of an award to receive common shares or cash at the Company's discretion. The Company's plans are all accounted for as equity-settled share-based compensation arrangements based on their anticipated settlement option. Accordingly, when equity compensation units are exercised or released, any consideration received, together with the expense previously recognised as contributed surplus, is recorded as an increase to share capital.

The primary non-market-based vesting condition for all the Company's stock-based compensation plans is generally continuous employment. An estimated forfeiture rate is applied to the valuation of the equity units over the vesting period and is subsequently adjusted to reflect the actual number of equity awards that ultimately vest. In some cases, performance rights are also granted with certain other market-based or non-market-based vesting conditions which are determined by the Company's Board of Directors. The fair market value of these performance rights at the date of grant is initially adjusted to reflect the probability of these possible outcomes.

Stock options and performance rights are valued at the date of grant primarily utilising a Black-Scholes pricing model. Performance rights that are subject to a minimum share price vesting condition are valued utilising a binomial barrier pricing model. Performance rights that vest immediately at issuance are valued at the Company's share price at the date of grant.

The stock-based compensation expense attributable to performance factors that are dependent upon market conditions are not subsequently adjusted for actual results. The stock-based compensation expense attributable to performance factors dependent upon non-market conditions are subsequently adjusted for actual results.

Leases

At the inception of a contract, the Calima Group assesses if an agreement contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For all in-scope lease arrangements, a right-of-use asset and corresponding lease liability is initially recognised at the commencement date of the lease and measured at the net present value of all future non-cancellable lease payments. The payments are discounted using the rate implicit in the lease unless that rate is not readily determined, in which case, the Company's incremental borrowing rate is utilised. The estimated lease term consists of all non-cancellable periods under the contract and includes periods covered by an extension or termination option if the Calima Group is reasonably certain that it will exercise the option.

Right-of-use assets are depreciated to net income (loss) over the expected utilisation period of the underlying assets using the straight-line method. The depreciation of right-of-use assets that are utilised in respect of development activities are initially capitalised to PP&E and then depleted to net income over the remaining life of the developed assets once they are ready for use in the manner intended. Lease liabilities are accreted upwards toward their settlement value over the expected life of the contract in order to reflect the cost of borrowing under the indebted contract. The interest portion of the lease payment is recognised as an operating activity in the consolidated statement of cash flows. The principal portion of the lease payment reduces the lease liability and is reflected as a financing activity in the consolidated statement of cash flows. Right-of-use assets and lease liabilities are remeasured at each reporting period to reflect any contract modifications or reassessments that impact the anticipated remaining cash outflows under the contract.

Jointly operated assets

The Calima Group's oil and natural gas activities include jointly operated oil and natural gas assets and liabilities. These annual financial statements only include the Company's share of these jointly operated assets and liabilities and a proportionate share of the related revenue and expenses.

Per share information

Basic per share information is calculated using the weighted average number of common shares outstanding during the year. Diluted per share information is calculated using the basic weighted average number of common shares outstanding during the year, adjusted for the number of shares which could have had a dilutive effect on net income during the year had outstanding in-the-money equity compensation units been exercised.

Assets Held for Sale

PP&E and E&E assets are classified as held for sale if it is highly probable their carrying amounts will be recovered through a capital disposition rather than through future operating cash flows. Before PP&E and E&E assets are classified as held for sale, they are assessed for indicators of impairment or reversal of previously recorded impairments and are measured at the lower of their carrying amount and fair value less costs of disposal. Any impairment charges or reversals are recognized in net income. Assets held for sale are classified as current assets and are not subject to DD&A. Decommissioning liabilities associated with assets held for sale are classified as current liabilities.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Significant judgements

Oil and natural gas assets

Oil and natural gas assets are grouped into CGUs based on their ability to generate largely independent cash flows. The determination of the Calima Group's CGUs are subject to judgment as the Company is required to define and establish these asset groupings based on their specific nature and characteristics in a reasonable manner. The Calima Group applies judgment when determining the classification of its oil and natural gas assets as either E&E or PP&E assets because it requires the Company to define and establish thresholds for when a particular project has achieved technical feasibility and commercial viability. When the Calima Group assesses its CGU for indicators of impairment or impairment reversal at each reporting period, judgment is applied in establishing the qualitative and quantitative thresholds that are used to assess if an indicator is present, such that an impairment test is then required.

Liquidity and access to Credit Facility and Term Loan

As at 31 December 2023, the Calima Group's net debt was A$3.8 million (Note 16). The Company also had a net working capital surplus of $3.8 million (current assets of $4.2 million in excess of current liabilities of $0.4 million). There was no amount drawn under the C$20 million demand revolving credit facility with a Canadian chartered bank (the "Credit Facility").

Borrowings under the Credit Facility incur interest at a market-based interest rate plus an applicable margin which varies depending on Blackspur's net debt to cash flow ratio. As a demand facility, the Credit Facility does not have a specific maturity date which means that the lender could demand repayment of all outstanding indebtedness or a portion thereof at any time. If such an event were to occur, the Calima Group would be required to source alternative sources of capital or sell assets to repay the indebtedness.

The Calima Group manages liquidity risk by complying with the covenants of the Credit Facility agreement, however, there can be no assurance that the amount or terms of the revolving credit facility will be maintained at the next annual borrowing base review. The borrowing base review was completed as at 22 March 2023 and resulted in a decrease to the credit facility from $24.2M to $20.0M as well as the removal of the affirmative covenant which had a mandatory hedging requirement if the Company were to utilize the bank line at greater than 50% over any quarter end. The Company settled on the sale of

Blackspur Oil Corp. on 27 February 2024 resulting in a net $81.6M in cash being received by the Company. The Company has reviewed its ability to continue as a going concern based on its cash flow forecast up to 31 March 2024 and concluded there are reasonable grounds to believe that the Company will continue as a going concern based on the projected cash flows and current access to funding. Management used significant judgements and assumptions in developing the cash flow forecast. These assumptions included expected revenue, forecast of operating and capital expenditures, ability to reduce capital and other operating expenditures as well as the ability to maintain existing funding.

On 31 January 2022 the Calima Group entered into a long-term financing arrangement with a strategic infrastructure and midstream company to construct a pipeline connecting the Company's 02-29 battery in the northern portion of its Brooks, Alberta asset base to its wells, lands, and gathering system in the southern portion of the asset base. The Calima Group is the sole owner of the pipeline and will repay the capital costs to construct the pipeline over a term of seven years at a 12% cost of financing with fixed monthly payments of approximately C$65,000 based on the cost of the pipeline project of C$3.7 million.

Other significant judgements

The determination of the Company's income tax and royalty expenses require interpretation of complex laws and regulations and are subject to judgement. Judgement is also applied when interpreting contractual commitments to assess whether or not they contain a lease arrangement.

Significant estimates

Depletion of oil and natural gas assets

Amounts recorded for the depletion of oil and natural gas assets rely on estimates and assumptions regarding the Company's proved plus probable reserves and future development costs. Fair value estimates that are utilised in a test for impairment or impairment reversal often rely upon estimates and assumptions regarding the future cash flows from the Calima Group's proved plus probable reserves as well as the recoverable resale value of undeveloped exploratory acreage.

Reserve estimates are primarily based on the Calima Group's reserve reports prepared by an independent third-party engineering firm. The reports include estimates for production rates, future commodity prices, discount rates, and future royalty, operating and capital costs. These estimates were prepared by experts in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook but are still subject to measurement uncertainty. The Calima Group may also utilise observable third-party land transactions adjacent to the Company's assets for estimating the value of undeveloped exploration acreage. Actual results may differ from the Company's estimates.

Other significant estimates

Estimates and assumptions are utilised to assess the Company's ability to continue as a going concern which includes future cash flow projections for operating, investing and financing related activities. The value of the Company's restoration provisions is based on estimates and assumptions regarding current legal requirements, future costs to settle the provisions and the expected timing of the remediations. The valuation of level 2 and level 3 financial instruments are subject to measurement uncertainty because there is no observable actively traded market and, therefore, estimates are required to estimate their fair market value at each reporting period for the purposes of valuation or disclosure.

The Company records deferred income tax assets and liabilities using income tax rates that are enacted or substantively enacted at the statement of financial position date, which are subject to change. The recoverability of loss carryforwards, investment tax credits and royalty incentives require estimates and assumptions regarding future operating results that will allow the Company to ultimately utilise those assets. All tax filings are also subject to audit and potential reassessment.

The Calima Group's stock-based compensation expense is subject to measurement uncertainty as a result of estimates and assumptions related to volatility, forfeiture rates, expected life, market-based vesting conditions and non-market-based vesting conditions. Estimates and assumptions are utilised in the Company's cash flows forecasts in assessing the Company's ability to continue as a going concern, future cash flows and access to credit.

5. CASH AND CASH EQUIVALENTS

As at 31 December 2023, the Calima Group held cash and cash equivalents of $4.0 million (31 December 2022 - $3.8 million). The Company is exposed to credit risk associated with its cash and cash equivalent balances held by third party institutions. The credit risk associated with the Calima Group's cash and cash equivalents was considered low as the Company's balances were all held with three large chartered banks located in Australia and Canada.

6. ACCOUNTS RECEIVABLE

As at (A$ thousands)		31 December 2023		31 December 2022
Oil and natural gas sales	**$**	**33**	$	7,480
Joint venture billings		**-**		1,513
GST and other		**71**		684
Accounts receivable	**$**	**104**	$	9,677

The Calima Group is exposed to collection risk from receivables associated with the Company's oil and natural gas sales. The customer base primarily consists of integrated oil and natural gas producers, midstream and downstream companies and energy traders. The Company manages credit risk by principally transacting with high-quality counterparties.

As at 31 December 2023, credit risk from outstanding accounts receivable was considered low given the history of collections and because the majority of the Company's outstanding receivables from oil and natural gas sales were held with four investment-grade counterparties. Substantially all of the Company's accounts receivable from oil and natural gas sales were collected within 30 days following the month of sale or settlement date and there were no material amounts past due as at 31 December 2023 or 2022.

7. ASSETS HELD FOR SALE AND DISCOUNTINUED OPERATIONS

On 27 December 2023, Calima announced it has entered into a binding definitive agreement with Astara Energy Corp., pursuant to which Calima had agreed to sell 100% of its ownership in its wholly owned Canadian subsidiary, Blackspur Oil Corp., the owner of the Company's Brooks and Thorsby production assets for a cash consideration of ~A$83.3 million (C$75 million) prior to customary completion adjustments for net debt. The transaction closed 23 February 2024. Calima received cash proceeds of C$72.7 million (A$82.56 million).

An impairment loss of $46.2 million for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in Impairment expense (see Note 8). The impairment loss has been applied to reduce the carrying amounts of property, plant and equipment within the disposal group.

Financial information relating to the discontinued operations for the 12-month period ended 31 December 2023 and prior year comparatives are set out below.

At 31 December 2023, the Blackspur subsidiary was stated at fair value less costs to sell and comprised the following assets and liabilities. The assets and liabilities were reclassified as held for sale in relation to the discontinued operations of Blackspur as at 31 December 2023.

As at (A$ thousands)		31 December 2023
Assets classified as held for sale	$	
Property, plant and equipment		**102,053**
Deferred income tax asset		**1,774**
Risk management contracts		**2,514**
Inventory		**902**
Accounts receivable		**6,257**
Prepaids and deposits		**612**
Cash		**3,743**
Total Assets of Blackspur held for sale	$	**117,855**

Liabilities classified as held for sale	$	
Accounts payable		**13,639**
Risk management contracts		**435**
Term loan		**2,968**
Asset retirement obligation		**21,832**
Total Liabilities of Blackspur held for sale	$	**38,874**
Net assets	$	**78,981**

The financial performance and cash flow information for the discontinued operations are presented are for the years ended 31 December 2023 and 2022.

For the year ended (A$ thousands)		31 December 2023		31 December 2022
Revenue (point in time)	$		$	
Oil and natural gas sales		**92,264**		121,828
Royalties expense		**(19,196)**		(23,529)
		73,068		98,299
Risk management contracts				
Realized loss		**(623)**		(16,326)
Unrealized gain (loss)		**1,691**		3,219
		74,136		85,192
Expenses				
Operating		**26,410**		20,849
Transportation		**4,913**		5,037
Depletion and depreciation		**21,274**		18,316
Impairment loss		**48,333**		-
General and administrative		**7,139**		3,102
Exploration expense		**1**		180
Financing and interest		**1,274**		1,046
Share-based compensation		**1,310**		435
		110,635		48,964
Net income (loss) before the following		**(36,517)**		36,228
Loss on equity investment		**(4)**		(415)
Net income (loss) before income taxes		**(36,521)**		35,813
Income tax expense		**2,104**		8,518
Net Income (loss)	$	**(38,626)**	$	27,296

For the year ended (A$ thousands)	Notes	31 December 2023	31 December 2022
Operating activities			
Net income (loss)		**$ (35,977)**	$ 27,296
Items not affecting operating related cash flows:			
Impairment	8	**48,333**	-
Depletion and depreciation	8	**21,274**	18,316
Unrealised gain on risk management contracts	11	**(1,691)**	(3,219)
Deferred income tax expense	9	**2,104**	8,518
Share-based compensation	19	**1,310**	435
Accretion of liabilities		**662**	501
Non-cash expenses and other		**-**	(36)
Funds flow from operations		**36,015**	51,811
Changes in non-cash working capital		**(1,635)**	1,457
Cash provided by operating activities		**34,380**	53,268
Financing activities			
Increase in (repayment of) credit facility	10	**-**	(22,142)
Term loan proceeds	12	**-**	3,980
Repayment of term loan	12	**(430)**	(192)
Cash provided by (used in) financing activities		**(430)**	(18,354)
Investing activities			
Investments in oil and natural gas assets	8	**(22,232)**	(47,684)
Loss on equity investment		**(4)**	415
Changes in non-cash working capital		**(8,744)**	1,080
Cash used in investing activities		**(30,981)**	(46,188)
Impact of foreign exchange translations		**208**	(345)

8. OIL AND NATURAL GAS ASSETS

Continuity schedule (A$ thousands)	PP&E assets	E&E assets	ROU assets	Total
Investments in capital assets				
Balance, 31 December 2021	120,055	69,406	1,008	**190,469**
Capital investments	47,751	65	-	**47,816**
Change in restoration provision (1)	(1,424)	(1,227)	-	**(2,651)**
Impact of foreign currency translations	(441)	(255)	(3)	**(699)**
Balance, 31 December 2022	165,941	67,989	1,005	**234,935**
Capital investments	24,222	2,172	-	**26,394**
Transfer to Assets Held for Sale (Note 7)	(102,053)	-	-	**(102,053)**
Montney Asset disposition	-	(70,327)	(943)	**(71,270)**
Change in restoration provision (1)	971	100	-	**1,071**
Impact of foreign currency translations	3,829	1,574	16	**5,424**
Balance, 31 December 2023	92,910	1,508	78	**94,496**
Accumulated depletion and depreciation				
Balance, 31 December 2021	$ (8,462)	$ (52,510)	$ (788)	**$ (61,760)**
Depletion and depreciation	(18,851)	-	(94)	**(18,945)**
Impact of foreign currency translations	432	194	4	**630**
Balance, 31 December 2022	(26,881)	(52,316)	(878)	**(80,075)**
Depletion and depreciation	(20,858)	(140)	(55)	**(21,053)**
Impairment	(44,472)	(3,545)	-	**(48,017)**
Montney Asset disposition	-	55,700	873	**56,573**
Impact of foreign currency translations	(469)	(1,207)	(23)	**(1,699)**
Balance, 31 December 2023	(92,680)	(1,508)	(83)	**(94,272)**
Net book value				
Balance, 31 December 2022	$ 139,060	$ 15,673	$ 127	**$ 154,860**
Balance, 31 December 2023	$ 230	$ -	$ -	**$ 230**

(1) During the year ended 31 December 2023, the Calima Group recognised non-cash capitalised costs of $1.0 million (31 December 2022 - $3.1 million) primarily related to restoration provisions added in respect of the Company's drilling and development activities (Note 13).

The Calima Group's PP&E primarily consists of the Brooks and Thorsby CGUs located in Southern and Central Alberta that were acquired as part the Blackspur Acquisition on 30 April 2021. The Company's exploration of evaluation assets ("E&E") primarily consists of capitalised costs associated with undeveloped Tommy Lakes Montney acreages in North-eastern British Columbia.

On 27 December 2023, Calima announced it has entered into a binding definitive agreement with Astara Energy Corp., pursuant to which Calima had agreed to sell 100% of its ownership in its wholly owned Canadian subsidiary, Blackspur Oil Corp., the owner of the Company's Brooks and Thorsby production assets for a cash consideration of ~A$83.3 million (C$75 million)

An impairment loss of $45.7 million was recorded to reduce the carrying amounts of property, plant and equipment within the disposal group to the lower of the carrying amount and the fair value less costs to sell. (see Note 7). The recoverability of the carrying amounts of E&E assets is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

During the year, the Company sold its Montney Assets including 33,643 net acres of Montney licenses/acreage and the Tommy Lakes facilities for C$10.0 million (A$11.4 million). The Company recorded an impairment loss of $2.7 million as the net book value of the Montney CGU exceeded its recoverable value.

2022 Impairment Charges and Reversals

During the year ended 31 December 2022, the Calima Group did not recognise any land expiry losses

As at 31 December 2022, an impairment test was conducted on the Company's PP&E assets given the book value of the Company's net assets was greater than its market capitalization. This was performed on both of the PP&E CGUs based on the fair value less costs of disposal method which uses after-tax, discounted future cash flows model using the CGU's proved plus probable reserves to estimate the CGU's recoverable amounts (Level 3 valuations). Management applied a 16% discount rate on both of the CGUs. Given the recoverable amount was greater than the carrying amount, no impairment loss was recognized.

The following table summarizes the key forecast assumptions included in the Company's impairment test:

($ thousands)	2023	2024	2025	2026	2027	2028	2029	2030	2031	Thereafter
WTI (US$/bbl)	80.00	77.00	75.50	77.01	78.55	80.12	81.72	83.36	85.03	+2% per year
Hardisty Bow River (C$/bbl)	78.67	79.67	79.67	82.18	83.73	85.41	87.12	88.86	90.64	+2% per year
AECO (C$/GJ)	4.33	4.50	4.30	4.37	4.45	4.54	4.63	4.73	4.82	+2% per year
FX (C$ to US$)	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.30 thereafter

9. DEFERRED INCOME TAXES

(A$ thousands)	31 December 2021	Change in tax position	31 December 2022	Change in tax position	31 December 2023
Non-capital losses	$ 26,184	$ 3,159	$ 29,343	$ (21,415)	**$ 7,928**
Oil and natural gas assets	(3,312)	(8,136)	(11,448)	13,001	**1,553**
Restoration provisions	6,005	988	6,993	(9,529)	**(2,536)**
Investments	302	281	583	476	**1,059**
Risk management contracts	677	(742)	(65)	65	**-**
Share issuance costs	747	398	1,145	-	**1,145**
Tax credits and other	740	69	809	(940)	**(131)**
	31,343	(3,983)	27,360	(18,342)	**9,018**
Unrecognised deferred tax assets	(19,189)	(4,159)	(23,348)	14,330	**(9,018)**
Deferred income tax asset	$ 12,154	$ (8,142)	$ 4,012	$ (4,012)	**$ -**

As at 31 December 2022, the Calima Group recognised a deferred income tax asset of $4.0 million primarily in respect of Blackspur's carry-forward tax pools in excess of the corresponding accounting values. The Calima Group also held unrecognised deferred income tax assets of $9.0 million (31 December 2022 - $23.3 million) consisting primarily of carry-forward tax losses held by Calima Energy Limited and Calima Energy Inc.

The following table reconciles the change in the deferred income tax asset during the years ended 31 December 2023 and 31 December 2022:

Continuity schedule (A$ thousands)	31 December 2023	31 December 2022
Deferred income tax asset, beginning of year	**$ 4,012**	$ 12,154
Deferred income tax expense recognised through profit or loss	**(2,104)**	(8,871)
Other	**(1,656)**	-
Impact of foreign exchange translations	**(252)**	729
Deferred income tax asset, end of year	**$ -**	$ 4,012

The following table reconciles the Company's consolidated income tax expense (recovery) compared to that computed using the current effective Australian tax rate of 30% (31 December 2022 – 30%):

For the year ended (A$ thousands)	31 December 2023	31 December 2022
Net income (loss) from continuing operations before income taxes	**$ (2,769)**	$ **(4,864)**
Net income (loss) from discontinuing operations before income taxes	**(36,521)**	**35,813**
	(39,290)	**30,949**
Statutory income tax rate	**30%**	**30%**
Expected income tax expense (recovery)	**(11,787)**	**9,285**
Adjustments related to the following:		
Change in unrecognised deferred income tax assets	**12,889**	**513**
Foreign rate differential	**824**	**(3,194)**
Share-based compensation	**430**	**809**
Impact of foreign exchange translations and other	**(252)**	**729**
Deferred income tax expense (recovery)	**$ 2,104**	$ **8,142**

Tax loss carryforwards by jurisdiction (A$ thousands)	31 December 2023	31 December 2022
Canada	**$ -**	$ 21,876
Australia	**7,928**	7,467
Total tax losses	**$ 7,928**	$ 29,343

As at 31 December 2023, the Company had estimated non-capital losses ("NCL") that may be applied to reduce future Canadian taxable income, expiring starting in 2032. Non-capital losses in Australia can be carried forward indefinitely.

10. CREDIT FACILITY

As at (A$ thousands)	Financial Covenant	31 December 2023	31 December 2022
Credit facility details:			
Credit facility draws		**$ -**	$ -
Issued letters of credit		**152**	155
Undrawn capacity		**22,007**	26,053
Credit facility capacity		**$ 22,159**	$ 26,208
Credit Facility maturity date		**On demand**	On demand
Effective annual interest rate on revolving draws		**8.3%**	8.2%
Covenants (1):			
Working capital ratio	1:1	**48.0:1.00**	1.82:1.00

(1) The Credit Facility contains certain covenants that limit the Company's ability to, among other things: incur additional indebtedness; create or permit liens to exist; and make certain dispositions and transfers of assets.

As at 31 December 2023, the Calima Group held a C$20 million demand revolving credit facility with a Canadian chartered bank (the "Credit Facility"). The borrowing base review was completed as at 22 March 2023 and resulted in a decrease to the credit facility from $24.2M to $20.0M as well as the removal of the affirmative covenant which had a mandatory hedging requirement if the Company were to utilize the bank line at greater than 50% over any quarter end.

Borrowings under the Credit Facility incur interest at a market-based interest rate plus an applicable margin which varies depending on Blackspur's net debt to cash flow ratio. Interest charges are between 150 bps to 350 bps on Canadian bank prime borrowings and between 275 bps and 475 bps on Canadian dollar bankers' acceptances. Any undrawn portion of the demand facility is subject to a standby fee in the range of 20 bps to 45 bps. Security for the credit facility is provided by a

$150 million demand debenture.

Under the terms of the facility, a financial covenant must be maintained. The Company must not permit the working capital ratio, as defined by the bank, to fall below 1:1. The bank defines the working capital ratio as the ratio of (i) current assets plus any undrawn availability under the facility to (ii) current liabilities less any amount drawn under the facilities. For the purposes of the covenant calculation, risk management contract assets and liabilities are excluded. At 31 December 2023 and 31 December 2022, the Company was in compliance with its banking covenants.

The following table summarises the change in the Credit Facility during the years ended 31 December 2023 and 31 December 2022:

For the year ended (A$ thousands)	31 December 2023	31 December 2022
Credit Facility, beginning of year	**$ -**	$ (21,739)
Credit Facility draws	**(311,376)**	-
Credit Facility repayment	**311,376**	22,142
Impact of foreign currency translations	**-**	(403)
Credit Facility, end of year	**$ -**	$ -

11. RISK MANAGEMENT CONTRACTS

For the year ended (A$ thousands)	31 December 2023	31 December 2022
Derivative liability, beginning of year	**$ 218**	$ (2,941)
Realisation of derivative losses	**623**	16,326
Net unrealised decrease in fair value	**1,236**	(12,822)
Transferred to assets held for sale	**(2,514)**	-
Transferred to liabilities held for sale	**435**	-
Impact of foreign currency translations	**2**	(345)
Derivative asset (liability), end of year	**$ -**	$ 218

The Calima Group is exposed to commodity price fluctuations associated with the production and sale of oil and natural gas. The Company executes a consistent and mechanical risk management program which is designed primarily to reduce cash flow volatility, protect a sufficient level of cash flows to service debt obligations and fund a portion of the Company's development and operational programs. The Calima Group generally hedges oil pricing exposure on a forward rolling one year basis.

The Company's risk management portfolio consists of instruments that are intended to mitigate the Calima Group's exposure to commodity price risks in the Western Canadian Sedimentary Basin consisting primarily of the US$ WTI benchmark price and the C$ WCS differential to US$ WTI. The net unrealized decrease in fair value is determined using Level 2 prices sourced from observable data or market corroboration and are measured at mark to market.

The Company's risk management contracts consisted of the following positions as at 31 December 2023:

Contract	Reference	Term	Volumes (bbl/day)	Price per Unit (CAD$/Unit)
Swap	OIL-WTI-NYMEX	Mar. 2024 – Jun. 2024	2,100	97.42
Swap	OIL-WTI-NYMEX	Jul. 2024 – Feb. 2025	1,700	94.57
Swap	OIL-WTI-NYMEX	Mar. 2025 – Feb. 2026	1,500	89.55

The Company also had the following foreign currency swap contracts in place as at 31 December 2023:

Term	Counterparty	Type Of Hedge	Notional Amount (USD)	Forward Swap Rate
Nov 2023 – Mar 2024	National Bank	Avg Rate Fwd Currency Swap	$700,000/month	1.3699 CAD per USD
Nov 2023 – Mar 2024	National Bank	Avg Rate Fwd Currency Swap	$700,000/month	1.3750 CAD per USD

As at 31 December 2023, the fair value associated with Calima's risk management contracts was an asset of $2.1 million ($0.2 million asset at 31 December 2022).

Subsequent to 31 December 2023, in support of the Blackspur transaction the Company was required to entered into the following risk management contracts. These risk management contracts were assumed by Astara through the acquisition of Blackspur.

Contract	Reference	Remaining term	Volume (bbl/day)	Average Price per bbl CAD$
SWAP	**US NGX Oil-WCS-Blended**	Apr 2024 - Jun 2024	1,200	($21,.90)
SWAP	**US NGX Oil-WCS-Blended**	Jul 2024 - Sep 2024	1,100	($19.55)
SWAP	**US NGX Oil-WCS-Blended**	Oct 2024 - Dec 2024	1,000	($22.15)
SWAP	**US NGX Oil-WCS-Blended**	Jan 2025 - Dec 2025	750	($20.30)

Subsequent to December 31, 2023, the Company unwound the remaining foreign currency contracts and recorded a gain of A $150,000.

The Calima Group's risk management contracts are subject to master netting agreements that create the legal right to settle the instruments on a net basis. The following table summarises the impact of the netting agreements on the Company's consolidated statement of financial position presentation as 31 December 2023 and 2022:

	31 December 2023			31 December 2022		
(A$ thousands)	Asset	Liability	Net	Asset	Liability	Net
Current asset/(liability)	**$ -**	**$ -**	**$ -**	$ 653	**$** (435)	$ 218
Net position	**$ -**	**$ -**	**$ -**	$ 653	**$** (435)	$ 218

12. TERM LOAN

On 31 January 2022 the Calima Group entered into a long-term financing arrangement with a strategic infrastructure and midstream company to construct a pipeline connecting the Company's 02-29 battery in the northern portion of its Brooks, Alberta asset base to its wells, lands, and gathering system in the southern portion of the asset base. The Calima Group is the sole owner of the pipeline and will repay the capital costs to construct the pipeline over a term of seven years at a 12% cost of financing with fixed monthly payments of approximately C$65,000 to a sum of C$457,206 for the year ended 31 December 2022 based on the cost of the pipeline project of C$3.7 million. The Company retains the right to payout the financing on 180 days written notice starting on the 3rd anniversary of the agreement, subject to an early termination penalty provision. At 31 December 2023, the remaining balance on this loan was C$3.2 million. Security for the term loan is provided by a lien and security interest over the pipeline.

13. RESTORATION PROVISIONS

As at (A$ thousands)	31 December 2023	31 December 2022
Restoration provision, beginning of year	**$ 23,311**	$ 25,905
Development of oil and natural gas assets	**471**	904
Accretion	**710**	593
Changes in estimate and other	**521**	(3,742)
Restoration expenses	**-**	(237)
Transfer to liabilities held for sale (Note 7)	**(21,832)**	-
Monteny Asset disposition (Note 8)	**(3,659)**	-
Impact of foreign exchange translations	**683**	(112)
Restoration provision, end of year	**$ 205**	$ 23,311
Presented as:		
Current restoration provisions (1)	**-**	242
Restoration provisions	**205**	23,069

(1) 2022 current restoration provisions presented as accounts payable and accrued liabilities previously

The Calima Group's restoration provisions reflect the estimated cost to dismantle, abandon, reclaim and remediate the Company's oil and natural gas assets at the end of their useful lives. As at 31 December 2023, the total estimated undiscounted, uninflated cash flows required to settle the Calima Group's asset retirement obligations was approximately $305 thousand (31 December 2022 – $29.5 million). These liabilities are anticipated to be incurred over the next 15 years.

As at 31 December 2023, the Company valued the restoration provision by utilising a risk-free rate of 3.0% (31 December 2022 – 3.3%) and an inflation rate of 2.0% (31 December 2022 – 2.0%). A 100-basis point (1%) increase in the discount rate would have no impact on the Company's restoration provision.

14. SHARE CAPITAL

Equity unit continuity (thousands)	31 December 2023 Shares		31 December 2023 Amount	31 December 2022 Shares		31 December 2022 Amount
Balance, beginning of year	**611,751**	**$**	**366,055**	514,084	$	350,461
Shares issued on exercise of performance warrants	**13,970**		**130**	-		-
Shares issued in respect of private placement	**-**		**-**	100,000		20,000
Shares issued to repay other indebtedness	**-**		**-**	788		153
Preferred share conversion	**-**		**-**	1,800		180
Share buyback	**-**		**-**	(4,921)		(818)
Return of capital	**-**		**(7,509)**	-		(2,508)
Share issuance costs	**-**		**-**	-		(1,413)
Balance, end of year	**625,721**	**$**	**358,676**	611,751	$	366,055

On 17 February 2022, the Company completed a $20 million fundraising through the issuance of 100 million common shares at $0.20 per share. Funds raised were used to retire borrowings under the credit facility and to fund the Company's 2022 capital program. The Company incurred $1.4 million of transaction costs associated with the equity financing.

During the 2022 fiscal year, the Company commenced a share buyback program and bought back 4,921,521 shares at an average price of $0.1688 each.

On 13 October 2022, the Company completed a return of capital dividend payment to shareholders of $2.5 million.

15. PER SHARE AMOUNTS

For the year ended (thousands)		31 December 2023		31 December 2022
Weighted average number of common shares – basic		**617,348**		600,260
Dilutive effect of outstanding equity compensation units		**12,826**		3,433
Weighted average number common shares - diluted		**630,174**		603,693
Net income (loss) from continuing operations	**$**	**(2,769)**	$	(4,489)
Net income (loss) per share (basic and diluted) from continuing operations	**$**	**(0.004)**	$	(0.01)
Net income (loss) from discontinued operations (Note 7)	**$**	**(38,626)**	**$**	27,296
Net income (loss) per share (basic and diluted) from discontinued operations (Note 7)	**$**	**(0.06)**	$	0.05

16. CAPITAL MANAGEMENT

The Calima Group's objective for managing capital is to maintain a strong statement of financial position in order to provide financial liquidity to fund ongoing development programs.

The Calima Group manages liquidity risk by complying with debt covenants and designing field development plans in conjunction with production, commodity price and available credit forecasting which provides the Company with an opportunity to fund its investments in oil and natural gas assets and expenses within cash flows or available sources of capital on hand. Calima also manages liquidity risk by preserving borrowing capacity under the Credit Facility.

Management believes the Company has sufficient funding to meet near-term liquidity requirements. As at 31 December 2023, the Calima Group had A$22.2 million of available credit under the Credit Facility. On 27 December 2023, Calima announced it has entered into a binding definitive agreement with Astara Energy Corp., pursuant to which Calima had agreed to sell 100% of its ownership in its wholly owned Canadian subsidiary, Blackspur Oil Corp., the owner of the Company's Brooks and Thorsby production assets for a cash consideration of ~A$83.3 million (C$75 million) prior to customary completion adjustments for net debt. The transaction closed 23 February 2024. Calima received cash proceeds of C$72.7 million (A$82.56 million).

On 17 February 2022, the Calima Group also completed a private-placement equity financing arrangement with investors for gross proceeds of A$20 million (Note 14). Near-term development activities are anticipated to be funded by the Company's funds flow, cash on hand, proceeds from the equity financing or draws under the Credit Facility (Note 10). In the near term, the Company plans to utilise any funds flow in excess of investments in oil and natural gas assets to affect a combination of net debt reduction and production growth.

The following tables reconciles the Company's net debt and adjusted funds flow from operations as at 31 December 2023 and 31 December 2022:

As at (A$ thousands)		31 December 2023		31 December 2022
Long-term portion of term loan	$	-	$	(3,369)
Current assets		**4,153**		14,417
Other current liabilities		**(372)**		(21,851)
		3,781		(10,803)
Exclude: current portion of risk management assets		-		(218)
Net debt	**$**	**3,781**	$	(11,021)

For the year ended (A$ thousands)		31 December 2023		31 December 2022
Funds flow from operations (per cash flow statement)	**$**	**38,234**	$	49,628
Cash related transaction costs		-		-
Adjusted funds flow from operations	**$**	**38,234**	$	49,628

The Company utilises net debt as an important measure to assess the Company's liquidity by incorporating long-term debt, lease liabilities, the term loan and working capital. Adjusted funds flow from operations is utilised as a measure of operational performance and cash flow generating capability which impacts the level and extent of funding available for capital project investments, reduction of net debt or returning capital to shareholders. These measures are also consistent with the formulas prescribed under the Company's Credit Facility covenants.

Net debt and adjusted funds flow from operations are not standardised measures and may not be comparable with the calculation of similar measures by other companies without also taking into account any differences in the method by which the calculations are prepared.

17. COMMITMENTS & CONTINGENCIES

(A$ thousands)		2024		2025		2023		2027		2028		Thereafter		Total
Accounts payable and accrued liabilities	$	393	$	-	$	-	$	-	$	-	$	-	**$**	**393**
Drilling well commitment		831		-		-		-		-		-		**831**
Total contractual cash outflows	$	1,224	$	-		-		-		-		-	**$**	**1,224**

The accounts payable and accrued liabilities and the term loan are recognised on Calima's consolidated statement of financial position.

The Company entered into a 3-year Leasing Agreement, renewed annually, with the underlying mineral owner in the Brooks area of Alberta to drill 21 commitment wells with a minimum royalty before May 31, 2025. In February 2023, the Company notified the mineral owner of its intent to drill seven commitment wells in 2023. At 31 December 2023, there were three commitment wells left to be drilled, with a penalty of C$250,000 each.

18. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal management reports that are reviewed and used by the executive management team in assessing the performance and in determining the allocation of resources. The operating segments identified by management are based on the geographical locations of the business.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. The Group operates as one segment being Oil & Gas Production and Exploration in Canada.

19. STOCK-BASED COMPENSATION

The following table presents consolidated stock-based compensation for the current year of $2.7 million, which is made up of $1.4 million related to continuing operations and $1.3 million related to discontinued operations (Note 7).

For the year ended (A$ thousands)	31 December 2023	31 December 2022
Stock options	**$ 162**	$ 952
Performance rights	**2,581**	1,751
Gross stock-based compensation cost	**2,743**	2,703
Capitalised stock-based compensation	**-**	(244)
Stock-based compensation expense	**$ 2,743**	$ 2,459

The following table summarises the changes in equity compensation units during the years ended 31 December 2023 and 2022:

Equity unit continuity (thousands)	Stock options	Performance rights	Total
Balance, 31 December 2021	17,750	8,273	**26,023**
Issuance of stock options to employees	1,350	-	**1,350**
Issuance of stock options to other service providers	3,500	-	**3,500**
Issuance of performance rights to employees	-	25,361	**25,361**
Conversion of performance rights to common shares	-	(1,800)	**(1,800)**
Forfeitures	(2,650)	-	**(2,650)**
Expiry	(2,150)	(2,573)	**(4,723)**
Balance, 31 December 2022	17,800	29,261	**47,061**
Issuance of stock options to other service providers	500	-	**500**
Issuance of performance rights to employees	-	8,850	**8,850**
Conversion of performance rights to common shares	-	(10,329)	**(10,329)**
Forfeitures	-	-	**-**
Expiry	-	(15,780)	**(15,780)**
Balance, 31 December 2023	18,300	12,002	**30,302**

Stock options

		Outstanding		Exercisable	
Grant date (1)	Exercise price (A$/share)	Number of options (thousands)	Weighted average remaining life (years)	Number of options (thousands)	Weighted average remaining life (years)
2023 grants (Service Providers)	$ 0.144	500	1.8	**500**	**1.8**
2022 grants (Service Providers)	0.144	2,000	1.3	**2,000**	**0.9**
2022 grants (Employees)	0.1838	612	3.1	**612**	**3.09**
2021 grants	0.1838	10,939	1.8	**10,939**	**1**
	$ 0.17	14,939	1.73	**2,500**	**1.73**

(1) All information presented in this table have been adjusted to reflect the impact of the Company's share consolidation which occurred on August 30, 2021 at a conversion rate of 20:1 (Note 14).

During the year ended 31 December 2023, Calima's board approved 0.5 million stock options for grant to service providers of Calima and Blackspur. The primary vesting condition of the stock options is continuous employment or service and 1/3 of the options vest each year over three years and are exercisable at $0.144 per unit and $0.1838 per unit within five years from the date of grant.

During the year ended 31 December 2022, Calima's board approved 4.85 million stock options for grant to certain Officers, Directors, employees and service providers of Calima and Blackspur. The primary vesting condition of the stock options is continuous employment or service and 1/3 of the options vest each year over three years and are exercisable at $0.144 per unit and $0.1838 per unit within five years from the date of grant. During the year, 3.8 million stock options were forfeited due to staff departure. As a result of the sale of BSO the remaining employee option vested were 612,000.

Performance rights

		Outstanding		Exercisable	
Grant date[1]	Exercise price (A$/share)	Number of performance rights/options (thousands)	Weighted average remaining life (years)	Number of performance options (thousands)	Weighted average remaining life (years)
2023 grants	$ -	7,360	2.9	-	-
2022 grants[4]	-	527	2.4	-	-
2021[2]	-	2,500	2.3	**8,439**	**2.8**
	$ -	10,387	2.73	**8,439**	**2.8**

1) All information presented in this table have been adjusted to reflect the impact of the Company's share consolidation which occurred on 30 August 2021 at a conversion rate of 20:1 (Note 14).
2) Units all became fully vested during the year ended 31 December 2021.
3) Units are subject to a market-based and/or non-market based vesting condition.
4) At 31 December 2023 the Company had 2,272,250 performance class F rights on issue, these securities were tied to continued employment with the Company and would partially vest on 13 June 2024. As a result of the sale of BSO, this vesting hurdle could not be met by the BSO employees and the majority of these securities expired with 657,250 remaining.

During the year ended 31 December 2023, Calima approved 8.9 million performance rights for grant to certain Officers and employees of Calima. The vesting conditions of the performance rights were as follows:

- 610,000 Class D rights will vest following the Calima shares reaching a volume weighted average price of $0.25 per share over 20 consecutive trading days on which the shares have actually traded. These rights expired on 13 December 2023.
- 610,000 Class E rights will vest following the Company achieving average production greater than 4,300 boe/day for a total of 30 non-consecutive days over a 3-month period up to 30 April 2023. This condition was met subsequent to the year end, and all performance rights vested and were converted to shares.
- 400,000 Class F rights will vest in tranches of 50% following continuous service of 12 months from issuance and the remainder following continuous service of 24 months from issuance. Post sale of BSO the remaining securities that could vest from this tranche was 130,000.
- 7,230,000 Class G rights will vest in tranches of 50% following continued service for 12 months from 1 December 2023 and for 24 months from 1 December 2023. All rights expire 3 years from issue date and vest immediately and become exercisable upon a change of control or a sale with sales value exceeding A$80 million. These rights fully vested in the period.

The following table summarises the weighted average assumptions utilised to value equity compensation grants during the year ended 31 December 2023:

Weighted average valuation assumptions	Stock options	Performance rights		
Valuation model	Black Scholes	Monte Carlo	Black Scholes	Black Scholes
Number of units granted (thousands)	500	610	610	400
Grant date	11 Jan 24	10 Jan 24 – 24 Feb 24	10 Jan 24 – 24 Feb 24	10 Jan 24 – 24 Feb 24
Share price at grant date ($)	0.12	0.12	0.12	0.12
Exercise price ($/share)	0.16	-	-	-
Volatility (%)	90	90	90	90
Risk-free rate (%)	3.28	3.203	3.203	3.203
Expected life (years)	2.7	1.0	0.3	3.5
Fair value ($/share)	$ 0.059	$ 0.065	$ 0.12	$ 0.12

In determining the expected volatility of returns on Calima shares, as per AASB 2, both the historical volatility of the share price over the most recent period commensurate with the expected term of the Performance Rights and Options, and the tendency of volatility to revert to its mean. The historical volatility was calculated at each respective grant date over the 2, 3 and 5-year periods to each respective grant date.

During the year ended 31 December 2022, Calima approved 25.4 million performance rights for grant to certain Officers and Directors of Calima. The vesting conditions of the performance rights were as follows:

- 9.2 million Class D rights will vest following the Calima shares reaching a volume weighted average price of $0.25 per share over 20 consecutive trading days on which the shares have actually traded. These rights expired on 13 December 2023.
- 9.2 million Class E rights will vest following the Company achieving average production greater than 4,300 boe/day for a total of 30 non-consecutive days over a 3-month period up to 30 April 2023. This condition was met subsequent to the year end, and all performance rights vested and were converted to shares.
- 7 million Class F rights will vest in tranches of 50% following continuous service of 12 months from issuance and the remainder following continuous service of 24 months from issuance.

With respect to the 1 million performance rights granted in 2017 (on a post share consolidation basis), the units are subject to 18-month continuous service requirement and on satisfaction of at least two of the following three conditions:

- The VWAP for Calima shares for any period of 30 consecutive trading days being above $3.00;
- Calima raising more than $5 million at an average price of $3.00; and
- Market capitalisation exceeds $50 million (VWAP for Calima shares for any period of 30 consecutive trading days).

These securities expired in August 2022.

There were 10.3 million performance rights converted to common shares during the year ended 31 December 2023 (1.8 million during the year ended 31 December 2022).

20. RELATED PARTY TRANSACTIONS

The Calima Group's related parties primarily consist of the Company's directors and officers. Amounts paid to directors and officers for the year ended 31 December 2023 and 2022 were as follows:

For the year ended		31 December 2023		31 December 2022
Short-term employer benefits	$	1,328,814	$	1,323,281
Post employment benefits		-		-
Other long-term benefits		87,339		-
Termination benefits		450,930		-
Stock-based compensation		635,379		896,553
Total remuneration paid to directors and officers	$	2,502,461	$	2,219,834

For the year ended 31 December 2023, in addition to remuneration paid as disclosed above, $347,618 was paid to Burnett, Duckworth & Palmer LLP,. A related party to Mr. Tetley, for legal services related to the sale of the Company's assets and A$32,000 was paid to Meccano Consulting Pty Ltd., a related party to Mr. Freeman, for bookkeeping services related to the Company's operations. As at 31 December $222,000 remained unpaid to Mr. Tetley and $nil remained unpaid to Mr. Freeman.

For the year ended 31 December 2022, in addition to remuneration paid as disclosed above, $118,033 was paid to Burnett, Duckworth & Palmer LLP,. A related party to Mr. Tetley, for legal services and $32,000 to Meccano Consulting Pty Ltd., a related party to Mr. Freeman, for bookkeeping services related to the Company's operations (not included in the table above). As at 31 December $nil remained unpaid to Mr. Tetley and $nil remained unpaid to Mr. Freeman.

21. OTHER COMPREHENSIVE INCOME

Continuity schedule (A$ thousands)		31 December 2023		31 December 2022
Foreign currency reserve, opening	$	**4,648**	$	5,688
Unrealised gain (loss) recognised through other comprehensive income		**3,681**		(1,040)
Foreign currency reserve, ending	**$**	**8,329**	$	4,648

Calima's investments in its two Canadian subsidiaries, Blackspur and Calima Energy Inc., are exposed to fluctuations in foreign currency exchange rates between the Australian and Canadian dollar. A foreign currency translation reserve is utilised to record exchange differences arising from the translation of the financial statements of these foreign subsidiaries.

22. AUDITOR REMUNERATION

For the year ended	31 December 2023	31 December 2022
Pricewaterhouse Coopers		
Audit and assurance related services	**$ 325,817**	$ 288,704
Tax and other non-assurance related services	**-**	23,460
Total remuneration of external auditors	**$ 325,817**	$ 312,164
BDO Audit Pty Ltd		
Audit and assurance related services	**$ 3,500**	$ -
Tax and other non-assurance related services	**10,000**	10,000
Total remuneration of external auditors	**$ 13,500**	$ 10,000

23. SUPPLEMENTAL CASH FLOW INFORMATION

For the year ended (A$ thousands)	31 December 2023	31 December 2022
Non-cash investing and financing activities		
Issuance of common shares	**$ -**	$ 18,823
Purchase of common shares	**-**	(818)
Increase in (repayment of) credit facility	**-**	(22,142)
Term loan proceeds	**-**	3,980
Repayment of term loan	**(430)**	(192)
Dividend paid Return of capital	**(7,509)**	(2,508)
Lease payments	**(133)**	(266)
Investments in oil and natural gas assets	**(24,283)**	(47,816)
Proceeds from property disposal	**11,208**	-
Gain (loss) on equity investment	**(4)**	415
	$ (21,151)	$ (50,524)
Net debt		
Cash and cash equivalents	**$ 3,958**	$ 3,848
Accounts receivable	**104**	9,677
Deposits and prepaid expenses	**91**	674
Accounts payable and accrued liabilities	**(372)**	(20,939)
Current restoration provisions	**-**	(242)
Net working capital	**3,781**	(6,982)
Term loan	**-**	(3,787)
Lease liabilities	**-**	(252)
Total indebtedness	**-**	(4,039)
Net debt	**$ 3,781**	$ (11,021)

	Liabilities arising from financing activities			
(A$ thousands)	**Credit Facility**	**Term Loan/ Other Indebtedness**	**Leases**	**Total Indebtedness**
Total indebtedness – 1 January 2022 (1)	(21,739)	-	(265)	(22,004)
Financing cash flows	22,142	(3,540)	266	18,868
Foreign exchange adjustments	(403)	(439)	(18)	(860)
New leases	-	-	(235)	(235)
Payment on term loan	-	192	-	192
Total indebtedness – 31 December 2022 (1)	$ -	$ (3,787)	$ (252)	$ (4,039)
Financing cash flows	-	-	-	-
Foreign exchange adjustments	-	(91)	-	(91)
Transfer on disposition of property	-	-	252	252
Payment on term loan	-	430	-	430
Total indebtedness – 31 December 2023 (1)	$ -	$ (3,448) (2)	$ -	$ (3,448)

(1) Interest expense and payments included in the operating cash flows were equivalent in the year and have not been included in the table above.
(2) Includes long term portion of $2,967,736 and current portion of $480,203 included in accounts payable of discontinued operations, see Note 7.

24. PARENT COMPANY FINANCIAL INFORMATION

As at and for the year ended (A$ thousands)	31 December 2023	31 December 2022
Statement of financial position		
Current assets	**$ 754**	$ 424
Non-current assets	**90,182**	100,598
Total assets	**90,936**	101,022
Current liabilities	**(232)**	(375)
Net assets	**90,704**	100,647
Share capital	**358,676**	366,055
Share-based payments	**22,136**	19,121
Foreign currency translations	**(118)**	(118)
Accumulated losses	**(289,990)**	(284,411)
Total shareholders' equity	**$ 90,704**	$ 100,647
Statement of profit or loss		
Net loss	**$ (4,429)**	$ (3,769)
Total comprehensive loss	**$ (4,429)**	$ (3,769)

Guarantees

Calima Energy Ltd provided a guarantee to National Bank of Canada in respect of the unused loan facility of Blackspur Oil Corp. This guarantee was extinguished following the sale of Blackspur Oil Corp.

Other Commitments and Contingencies

The parent has no commitments and/or contingencies as at 31 December 2023 (31 December 2022: Nil)

25. INVESTMENT IN CONTROLLED ENTITIES

Investments in controlled entities held by Calima Energy Limited	Country	31 December 2023	31 December 2022
Calima Energy Inc	Canada	100%	100%
Calima Energy Holdings Ltd	Canada	100%	-
Calima Energy Limited (Jersey)	Jersey	-	100%
Calima Energy (Namibia) Limited	Namibia	-	100%
Blackspur Oil Corp	Canada	100%	100%
Blackspur Holdings Inc.	Canada	100%	100%
H2Sweet Holdings Inc.	Canada	-	50%
H2Sweet Inc	Canada	-	50%

26. FINANCIAL RISK MANAGEMENT

The Calima Group's policies with regard to financial risk management are clearly defined and consistently applied. They are a fundamental part of the Calima Group's long term strategy covering areas such as foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk and capital management. The natural hedges provided by the relationship between commodity prices and the US currency reduces the necessity for using derivatives or other forms of hedging. The Group does not issue derivative financial instruments, nor does it believe that it has exposure to such trading or speculative holdings through its investments in wholly owned subsidiaries. Risk management is carried out by the Board as a whole, which provides written principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Market Risk

(i) Foreign exchange risk

The Group is exposed to material foreign currency exposure on a group or company level. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Calima Group currently engages in hedging and/or derivative transactions to manage foreign currency risk. Refer note 11 above.

(ii) Commodity price risk

Due to the nature of the Calima Group's principal operations being oil & gas exploration and production the Group is exposed to the fluctuations in the price of oil & gas. The Group currently engages in hedging or derivative transactions to manage foreign currency risk. Refer note 11 above.

(iii) Interest rate risk

Interest rate risk relates to the statement of financial position values of the consolidated cash at bank at 31 December 2023 and 31 December 2022.

(iv) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is not significantly exposed to credit risk from its operating activities, however the Board constantly monitors customer receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. The Group does not hold collateral as security. No material exposure is considered to exist by virtue of the possible non-performance of the counterparties to financial instruments and cash deposits. Credit rating of cash is A+; all funds are held by Bank of Canada and NAB which have government guarantees on deposits.

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets as summarised below, none of which are impaired or past due.

Carrying Amount (A$ thousands)	31 December 2023	31 December 2022
Statement of financial position		
Cash	**$ 3,958**	$ 3,848
Receivables	**104**	9,677

(v) Capital Risk and Liquidity Risk Management

The Calima Group's overriding objectives when managing capital are to safeguard the business as a going concern; to maximise returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate credit facility. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

Financing Arrangements

The Calima Group has access to borrowings refer note 10 above.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities and relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

At 31 December 2023 (A$ thousands)	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
Financial Liabilities							
Trade creditors	372	-	-	-	-	372	372
Total	372	-	-	-	-	372	372

At 31 December 2022 (A$ thousands)	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
Financial Liabilities							
Trade creditors	20,939	-	-	-	-	20,939	20,939
Total	20,939	-	-	-	-	20,939	20,939

DIRECTORS' DECLARATION

The Directors of Calima Energy Limited declare that:

(a) In the Directors' opinion, the annual financial statements and notes and the remuneration report, set out on pages 8 to 46, are in accordance with the Corporations Act 2001, including:
   i. Complying with relevant Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and,
   ii. Giving a true and fair view of the Calima Group's financial position as at 31 December 2023 and of its performance for the financial year ended on that date.

(b) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer, Managing Director and Chief Financial Officer, Canada required by Section 295A of the Corporations Act 2001 for the financial period ended 31 December 2023.

This Directors' Declaration is made in accordance with a resolution of the Directors.

On behalf of the Board of Directors:

Glenn Whiddon
Executive Chairman

28 March 2024

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INDEPENDENT AUDITOR'S REPORT

To the members of Calima Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Calima Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Discontinued operation of Blackspur Oil Corp

Key audit matter	How the matter was addressed in our audit
On December 27, 2023 the Group entered into a definitive agreement for the sale of Blackspur Oil Corp ("Blackspur") a 100% owned subsidiary of the Group. The carrying value of the net assets of Blackspur as at 31 December 2023 was $78.98 million representing a significant balance for the Group. This was a key audit matter as it was a significant agreement entered into for the year and had a considerable impact on the consolidated profit or loss statement and the consolidated statement of financial position.	Our audit procedures included, but were not limited to the following: • Assessing the key terms of the agreement; • Assessing the fair value of consideration received less costs of disposal; • Considering the application of AASB 5 *Non Current Assets Held for Sale and Discontinued Operations* to the accounting of the assets and associated liabilities as assets and liabilities held for sale and the appropriateness of the classification of discontinued operations; • Agreeing the completeness and accuracy of the Blackspur assets and liabilities classified as discontinued operations; • Assessing the carrying value of the net assets held for sale and the resultant impairment recognised during the year; and • Assessing the adequacy of the related disclosures in Note 7 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Calima Energy Limited, for the year ended 31 December 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth 28 March 2024

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Fax: +61 8 6382 4601
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Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF CALIMA ENERGY LIMITED

As lead auditor of Calima Energy Limited for the year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Calima Energy Limited and the entities it controlled during the period.

Jarrad Prue

Director

BDO Audit Pty Ltd

Perth

28 March 2024

SECURITIES EXCHANGE INFORMATION

Additional information required by the ASX Listing Rules and not disclosed elsewhere in the Annual Report is set out below. The information was applicable for the Company as at 26 March 2024:

Distribution of equity securities

Equity holders by size of holding of ordinary shares	Number of Holders	Number of shares on issue
1 to 1000	**100**	**22,797**
1,001 to 5,000	**56**	**185,134**
5,001 to 10,000	**297**	**2,398,783**
10,001 to 100,000	**864**	**41,724,463**
100,001 and above	**435**	**588,749,592**
Total(1)	**1,752**	**633,080,769**

(1) With respect to the voting rights of the Company's ordinary shares, each shareholder is entitled to receive notice of, attend, and vote at general meetings. At a general meeting, every shareholder present in person, or by proxy by representative of attorney, is entitled to vote by a show of hands and on a poll, one vote for each share held.

There were 141 holders of less than a marketable parcel of listed shares.

Substantial shareholders

Shareholders who hold greater than 5% issued capital	Number of shares held	% of shares held
Harvest Lane Asset Management & its associated entities	**73,921,356**	**11.81**
Total	**73,921,356**	**11.81**

Twenty largest shareholders

Shareholder	Number of shares held	% of shares held
CITICORP NOMINEES PTY LIMITED	60,463,224	9.66
HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	57,299,455	9.16
NATIONAL NOMINEES LIMITED	55,047,308	8.80
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	28,490,632	4.55
PALM BEACH NOMINEES PTY LIMITED	26,234,057	4.19
BART SUPERANNUATION PTY LIMITED <4F INVESTMENTS SUPERFUND A/C>	19,640,000	3.14
BNP PARIBAS NOMS PTY LTD	19,456,417	3.11
HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED-GSCO ECA	19,433,979	3.11
MR CRAIG IAN BURTON <CI BURTON FAMILY A/C>	10,127,503	1.62
BNP PARIBAS NOMS (NZ) LTD	10,083,267	1.61
GETMEOUTOFHERE PTY LTD <SINKING SHIP SUPER FUND A/C>	7,291,549	1.17
ARROCHAR PTY LTD	6,241,063	1.00
MR KENNETH JOSEPH HALL <HALL PARK A/C>	6,000,000	0.96
MR FREDERICK BART	5,863,743	0.94
MR JOHN PHILIP DANIELS	5,641,768	0.90
KOBIA HOLDINGS PTY LTD	5,562,181	0.89
WILHENLU PTY LTD	5,500,000	0.88
THE HOME SAVERS GROUP 2 PTY LTD <JAMES AND KATHRYN S/F A/C>	5,094,252	0.81
4F INVESTMENTS PTY LTD	4,331,488	0.69
ARREDO PTY LTD	4,278,872	0.68
Top 20 holders of common shares	**362,080,758**	**57.19**
Total remaining holders balance	**271,000,011**	**42.81**
Total common shares outstanding	**633,080,769**	**100**

Unlisted securities

Equity compensation arrangement	Number of unit holders	Number of unlisted units	Year of expiry
Broker options – exercisable at $0.1838 per share expiring 30/04/24	**6**	**2,500,000**	**2024**
Stock options – exercisable at $0.1438 per share expiring 30/11/24	**1**	**1,000,000**	**2024**
Stock options – exercisable to $0.1838 per share expiring 30/11/24	**1**	**1,500,000**	**2024**
Stock options – exercisable at $0.1438 per share expiring 13/10/25	**1**	**1,500,000**	**2025**
Stock options – exercisable at $0.1838 per share expiring 30/06/26	**15**	**7,286,000**	**2026**
Stock options – exercisable at $0.1838 per share expiring 31/1/27	**3**	**612,000**	**2027**
Class C Performance rights – May 2021 grant	**2**	**2,500,000**	**2026**
Class F Performance rights – May 2022 grant	**5**	**527,250**	**2026**

Unitholders with more than 20% of each equity security class

Equity compensation arrangement holder	Number of shares held	% of units held
Broker options – exercisable at $0.1838 per share expiring 30/4/24		
LTL Capital Pty Ltd	1,085,000	43%
Auctus Advisors LLP	750,000	30%
Stock options – exercisable at $0.1438 per share expiring 30/11/24		
RCA Financial Partners Inc.	1,000,000	100%
Stock options – exercisable to $0.1838 per share expiring 30/11/24		
RCA Financial Partners Inc.	1,500,000	100%
Stock options – exercisable at $0.1438 per share expiring 13/10/25		
Euroswiss Capital Partners	1,000,000	100%
Stock options – exercisable at $0.1838 per share expiring 31/1/27		
Shawn Lafleur	264,000	43%
Cheryl Agnew	198,000	32%
Jerianne Verhille	150,000	24%
Unlisted Class F performance rights issued in 2022 (unvested)		
Mark Freeman	216,000	41%
Glenn Whiddon	180,000	34%
Unlisted Class C performance rights issued in 2021 (unvested)		
Glenn Whiddon	1,500,000	60%
Mark Freeman	1,000,000	40%

ADVISORIES & GUIDANCE

Forward Looking Statements

This release may contain forward-looking statements. These statements relate to the Company's expectations, beliefs, intentions or strategies regarding the future. These statements can be identified by the use of words like "anticipate", "believe", "intend", "estimate", "expect", "may", "plan", "project", "will", "should", "seek" and similar words or expressions containing same. These forward-looking statements reflect the Company's views and assumptions with respect to future events as of the date of this release and are subject to a variety of unpredictable risks, uncertainties, and other unknowns. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, many of which are beyond our ability to control or predict. These include, but are not limited to, risks or uncertainties associated with the discovery and development of oil and natural gas reserves, cash flows and liquidity, business and financial strategy, budget, projections and operating results, oil and natural gas prices, amount, nature and timing of capital expenditures, including future development costs, availability and terms of capital and general economic and business conditions. Given these uncertainties, no one should place undue reliance on any forward-looking statements attributable to Calima, or any of its affiliates or persons acting on its behalf. Although every effort has been made to ensure this release sets forth a fair and accurate view, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP measures

This annual report includes certain meaningful performance measures commonly used in the oil and natural gas industry that are not defined under IFRS, consisting of "adjusted EBITDA", "adjusted working capital", "available funding" and "net debt". These performance measures presented in this annual report should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS and should be read in conjunction with the financial statements. Readers are cautioned that these non-GAAP measures do not have any standardised meanings and should not be used to make comparisons between Calima and other companies without also taking into account any differences in the method by which the calculations are prepared. Refer to the other sections of this annual report and the definitions below for additional details regarding the calculations.

Qualified petroleum reserves and resources evaluator statements[1]

The petroleum reserves and resources information in this announcement in relation to Blackspur Oil Corp is based on, and fairly represents, information and supporting documentation in a report compiled by InSite Petroleum Consultants Ltd. (InSite) for the December 31, 2023 Reserves Report. InSite is a leading independent Canadian petroleum consulting firm registered with the Association of Professional Engineers and Geoscientists of Alberta. These reserves were subsequently reviewed by Mr. Graham Veale who is the VP Engineering with Blackspur Oil Corp. The InSite December 31, 2023 Reserves Report and the values contained therein are based on InSite's December 31, 2023 price deck (https://www.insitepc.com/pricing-forecasts). Mr. Veale holds a BSc. in Mechanical Engineering from the University of Calgary (1995) and is a registered member of the Alberta Association of Professional Engineers and Geoscientists of Alberta (APEGA). He has over 27 years of experience in petroleum and reservoir engineering, reserve evaluation, exploitation, corporate and business strategy, and drilling and completions. InSite and Mr. Veale have consented to the inclusion of the petroleum reserves and resources information in this announcement in the form and context in which it appears.

Corporate governance

Information related to the Calima Group's corporate governance practices can be found on the Company's website located here: (https://calimaenergy.com/corporate-governance/).

Oil and Gas Glossary and Definitions

Term	Meaning
Adjusted EBITDA:	Adjusted EBITDA is calculated as net income (loss) before interest and financing expenses, income taxes, depletion, depreciation and amortisation, and adjusted to exclude certain non-cash, extraordinary and non-recurring items primarily relating to gains on acquisition, gains and losses on financial instruments, transaction and advisory costs, exploration expenses and impairment losses. Calima utilises adjusted EBITDA as a measure of operational performance and cash flow generating capability. Adjusted EBITDA impacts the level and extent of funding for capital projects investments or returning capital to shareholders.
Adjusted working capital:	Adjusted working capital is comprised of current assets less current liabilities on the Company's statement of financial position and excludes the current portions of risk management contracts and credit facility draws. Adjusted working capital is utilised by Management and others as a measure of liquidity because a surplus of adjusted working capital will result in a future net cash inflow to the business which can be used for future funding, and a deficiency of adjusted working capital will result in a future net cash outflow which will require a future draw from Calima's existing funding capacity.
ARO / Asset Retirement Obligation:	the process of permanently closing and relinquishing a well by using cement to create plugs at specific intervals within a well bore
Available funding:	Available funding is comprised of adjusted working capital and the undrawn component of Blackspur's credit facility. The available funding measure allows Management and other users to evaluate the Company's liquidity.
Credit Facility Interest:	Borrowings under the Credit Facility incur interest at a market-based interest rate plus an applicable margin which varies depending on Blackspur's net debt to cash flow ratio. Interest charges are between 150 bps to 350 bps on Canadian bank prime borrowings and between 275 bps and 475 bps on Canadian dollar bankers' acceptances. Any undrawn portion of the demand facility is subject to a standby fee in the range of 20 bps to 45 bps. Security for the credit facility is provided by a C$150 million demand debenture
CO_2e:	carbon dioxide equivalent
Conventional Well:	a well that produces gas or oil from a conventional underground reservoir or formation, typically without the need for horizontal drilling or modern completion techniques
Compression:	a device or facility located along a natural gas pipeline that raises the pressure of the natural gas flowing in the pipeline, which in turn compresses the natural gas, thereby both increasing the effective capacity of the pipeline and allowing the natural gas to travel longer distances
Corporate Decline:	consolidated, average rate decline for net production from the Company's assets
Exit Production:	Exit production is defined as the average daily volume on the last week of the period
Operating Income:	Oil and gas sales net of royalties, transportation and operating expenses
Financial Hedge:	a financial arrangement which allows the Company to protect against adverse commodity price movements, the gains or losses of which flow through the Company's derivative settlements on its financial statements
Free Cash Flow (FCF):	represents Hedged Adjusted EBITDA less recurring capital expenditures, asset retirement costs and cash interest expense
Free Cash Flow Yield:	represents free cash flow as a percentage of the Company's total market capitalisation at a certain point in time
Funds flow from operations:	Funds flow is comprised of cash provided by operating activities, excluding the impact of changes in non-cash working capital. Calima utilises funds flow as a measure of operational performance and cash flow generating capability. Funds flow also impacts the level and extent of funding for investment in capital projects, returning capital to shareholders and repaying debt. By excluding changes in non-cash working capital from cash provided by operating activities, the funds flow measure provides a meaningful metric for Management and others by establishing a clear link between the Company's cash flows, income statement and operating netbacks from the business by isolating the impact of changes in the timing between accrual and cash settlement dates.
Gathering & Compression (G&C):	owned midstream expenses; the costs incurred to transport hydrocarbons across owned midstream assets
Gathering & Transportation (G&T):	third-party gathering and transportation expense; the cost incurred to transport hydrocarbons across third-party midstream assets
G&A:	general and administrative expenses; may be represented by recurring expenses or non-recurring expense
Hyperbolic Decline:	non-exponential with subtle multiple decline rates; hyperbolic curves decline faster early in the life of the well and slower as time increases
LMR:	The LMR (Liability Management Ratio) is determined by the Alberta Energy Regulator ("AER") and is calculated by dividing Blackspur's deemed assets by its deemed liabilities, both values of which are determined by the AER.
LOE:	lease operating expense, including base LOE, production taxes and gathering & transportation expense
Midstream:	a segment of the oil and gas industry that focuses on the processing, storing, transporting and marketing of oil, natural gas, and natural gas liquids
Net Debt / working capital surplus	Net debt/working capital surplus is calculated as the current and long-term portions of Calima's credit facility draws, lease liabilities, term loan and other borrowings net of adjusted working capital. The credit facility draws are calculated as the principal amount outstanding converted to Australian dollars at the closing exchange rate for the period. Net debt is an important measure used by Management and others to assess the Company's liquidity by aggregating long-term debt, lease liabilities and working capital.
NGL / Natural Gas Liquids:	hydrocarbon components of natural gas that can be separated from the gas state in the form of liquids
Net Debt/Adjusted EBITDA (Leverage)	a measure of financial liquidity and flexibility calculated as Net Debt divided by Hedged Adjusted EBITDA
Net Revenue Interest:	a share of production after all burdens, such as royalty and overriding royalty, have been deducted from the working interest. It is the percentage of production that each party actually receives
Operating Costs:	total lease operating expense (LOE) plus gathering & compression expense
Operating Netback:	Operating netback is calculated on a per boe basis and is determined by deducting royalties, operating and transportation from oil and natural gas sales, after adjusting for realised hedging gains or losses. Operating netback

Term	Meaning
	is utilised by Calima and others to assess the profitability of the Company's oil and natural gas assets on a standalone basis, before the inclusion of corporate overhead related costs. Operating netback is also utilised to compare current results to prior periods or to peers by isolating for the impact of changes in production volumes.
Physical Contract:	a marketing contract between buyer and seller of a physical commodity which locks in commodity pricing for a specific index or location and that is reflected in the Company's commodity revenues Production Taxes: state taxes imposed upon the value or quantity of oil and gas produced
Promote:	an additional economic ownership interest in the jointly-owned properties that is conveyed cost-free to the operator in consideration for operating the assets
PDP/ Proved Developed Producing:	a reserve classification for proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods
PV10:	a standard metric utilised in SEC filings for the valuation of the Company's oil and gas reserves; the present value of the estimated future oil and gas revenues, reduced by direct expenses, and discounted at an annual rate of 10%
RBL / Reserve Based Lending	a revolving credit facility available to a borrower based on (secured by) the value of the borrower's oil and gas reserves
Royalty Interest or Royalty:	Interest in a leasehold area providing the holder with the right to receive a share of production associated with the leasehold area
Terminal decline:	represents the steady state decline rate after early (initial) flush production
tCO2:	Tonnes of Carbon Dioxide
Unconventional Well:	a well that produces gas or oil from an unconventional underground reservoir formation, such as shale, which typically requires hydraulic fracturing to allow the gas or oil to flow out of the reservoir
Upstream:	a segment of the oil and gas industry that focuses on the exploration and production of oil and natural gas
Working Capital Ratio:	The working capital ratio as the ratio of (i) current assets plus any undrawn availability under the facility to (ii) current liabilities less any amount drawn under the facilities. For the purposes of the covenant calculation, risk management contract assets and liabilities are excluded.
WI/ Working Interest:	a type of interest in an oil and gas property that obligates the holder thereof to bear and pay a portion of all the property's maintenance, development, and operational costs and expenses, without giving effect to any burdens applicable to the property

Abbreviation	Abbreviation meaning	Abbreviation	Abbreviation meaning
1P	proved reserves	**IP30**	Average oil production rate over the first 30 days
2P	proved plus Probable reserves	**A$ or AUD**	Australian dollars
3P	proved plus Probable plus Possible reserves	**C$ or CAD**	Canadian dollars
bbl or bbls	barrel of oil	**US$ or USD**	United states dollars
boe	barrel of oil equivalent (1 bbl = 6 Mcf)	**($ thousands)**	figures are divided by 1,000
d	suffix – per day	**($ 000s)**	figures are divided by 1,000
GJ	gigajoules	**Q1**	first quarter ended March 31st
mbbl	thousands of barrels	**Q2**	second quarter ended June 30th
mboe	thousands of barrels of oil equivalent	**Q3**	third quarter ended September 30th
Mcf	thousand cubic feet	**Q4**	fourth quarter ended December 31st
MMcf	million cubic feet	**YTD**	year-to-date
NGTL	Nova Gas Transmission Line	**YE**	Year end
PDP	proved developed producing reserves	**H1**	six months ended June 30th
PUD	Proved Undeveloped Producing	**H2**	six months ended December 31st
C	Contingent Resources – 1C/2C/3C – low/most likely/high	**B**	Prefix – Billions
Net	Working Interest after Deduction of Royalty Interests	**MM**	Prefix - Millions
NPV (10)	Net Present Value (discount rate), before income tax	**M**	Prefix - Thousands
EUR	Estimated Ultimate Recovery per well	**/d**	Suffix – per day
WTI	West Texas Intermediate Oil Benchmark Price	**bbl**	Barrel of Oil
WCS	Western Canadian Select Oil Benchmark Price	**boe**	Barrel of Oil Equivalent (1bbl = 6 mscf)
1P or TP	Total Proved	**scf**	Standard Cubic Foot of Gas
2P or TPP	Total Proved plus Probable Reserves	**Bcf**	Billion Standard Cubic Foot of Gas
3P	Total Proved plus Probable plus Possible Reserves	**tCO_2**	Tonnes of Carbon Dioxide
EBITDA	Earnings before interest, tax, depreciation, depletion and amortisation	**OCF**	Operating Cash Flow, ex Capex
Net Acres	Working Interest	**E**	Estimate
IP24	The peak oil production rate over 24 hours of production	**CY**	Calendar Year
TD	Total depth		

SCHEDULE OF INTEREST IN TENEMENTS AS AT 31 DECEMBER 2023

Country	Lease name & number	Working interest
CANADA	CR PNG 0488120306	25%
CANADA	CR PNG 113922	100%
CANADA	FH PNG M077339 HERITAGE	100%
CANADA	FH PNG M077343 HERITAGE	50%
CANADA	CR PNG 0401070798	50%
CANADA	FH PNG M077354 HERITAGE	50%
CANADA	FH PNG M077355 HERITAGE	50%
CANADA	FH PNG M077362 HERITAGE	50%
CANADA	FH PNG M077365 HERITAGE	50%
CANADA	FH PNG M057552 HERITAGE	50%
CANADA	FH PNG M077369 HERITAGE	50%
CANADA	FH PNG M057230 HERITAGE	100%
CANADA	FH PNG M057231 HERITAGE	50%
CANADA	FH PNG M057228 HERITAGE	50%
CANADA	FH PNG M057229 HERITAGE	50%
CANADA	FH PNG M077379 HERITAGE	50%
CANADA	FH PNG M077381 HERITAGE	50%
CANADA	FH PNG M077383 HERITAGE	100%
CANADA	FH PNG M077384 HERITAGE	50%
CANADA	FH PNG M077385 HERITAGE	50%
CANADA	FH PNG M077387 HERITAGE	50%
CANADA	FH PNG M058439 HERITAGE	50%
CANADA	FH PNG M077388 HERITAGE	50%
CANADA	FH PET M083475 HERITAGE	75%
CANADA	FH PNG M057120 HERITAGE	0%
CANADA	FH PNG M057136 HERITAGE	0%
CANADA	FH PNG M064409 HERITAGE	0%
CANADA	CR PNG 0401110596	0%
CANADA	CR PNG 0489120182	100%
CANADA	CR PNG 6879A	100%
CANADA	CR PNG 5697A	100%
CANADA	FH PNG M087367 HERITAGE	100%
CANADA	CR PNG 0411110073	100%
CANADA	CR PNG 0411110085	100%
CANADA	CR PNG 0411110086	100%
CANADA	CR PNG 0412030144	100%
CANADA	FH PNG BENTLEY, CHERYL	100%
CANADA	FH PNG TKACHUK ET AL	100%
CANADA	FH PNG BENTLEY ET AL	100%
CANADA	CR PNG 0413080342	100%
CANADA	CR PNG 0413080343	100%
CANADA	CR PNG 0413120217	100%
CANADA	FH PNG BENTLEY, D.	100%
CANADA	FH PNG PEDERSON, V.	100%
CANADA	FH PNG JOHNSON, JO-ANNE	100%
CANADA	CR PNG 0404010158	100%
CANADA	CR PNG 0404010157	100%
CANADA	CR PNG 0414060022	100%
CANADA	CR PNG 0414070234	100%
CANADA	FH PNG M110518 HERITAGE	100%
CANADA	FH PNG M110083 HERITAGE	100%
CANADA	CR PNG 0499040052	81%
CANADA	CR PNG 0411090025	100%
CANADA	FH PNG M059623 HERITAGE	100%
CANADA	FH PET M200805 PRAIRIESKY	100%
CANADA	FH PET M201169 PRAIRIESKY	100%
CANADA	FH PET M201170 PRAIRIESKY	100%
CANADA	FH PET M201171 PRAIRIESKY	100%
CANADA	FH PET M201172 PRAIRIESKY	100%
CANADA	CR PNG 0479060095	20%
CANADA	CR PNG 0479060094	49%
CANADA	CR PNG 27346	20%
CANADA	CR PNG 4678	68%
CANADA	FH NG M115649 HERITAGE	100%
CANADA	FH PET M115657 HERITAGE	100%
CANADA	FH PET M115656 HERITAGE	100%
CANADA	CR PNG 124433	81%
CANADA	CR PNG 28705	81%
CANADA	CR PNG 121449	49%
CANADA	FH PNG M056870 HERITAGE	100%
CANADA	FH PNG M056871 HERITAGE	100%
CANADA	FH PNG M059315 HERITAGE	100%
CANADA	FH PNG M059316 HERITAGE	100%
CANADA	FH PNG M055940 HERITAGE	100%
CANADA	FH PNG M056875 HERITAGE	100%
CANADA	FH PNG M056876 HERITAGE	100%

Country	Lease name & number	Working interest
CANADA	CR PNG 0417070142	100%
CANADA	CR PNG 0417080003	100%
CANADA	CR PNG 0417080004	100%
CANADA	CR PNG 0417080005	100%
CANADA	CR PNG 0417080006	100%
CANADA	FH PET M118153 HERITAGE	100%
CANADA	FH PET M117918 HERITAGE	100%
CANADA	FH PET M118154 HERITAGE	100%
CANADA	FH PET M118155 HERITAGE	100%
CANADA	FH PET M117917 HERITAGE	100%
CANADA	CR PNG 0417090049	50%
CANADA	CR PNG 0417090098	100%
CANADA	CR PNG 0417090158	100%
CANADA	CR PNG 0417090164	100%
CANADA	CR PNG 0417090165	100%
CANADA	CR PNG 0417100063	100%
CANADA	CR PNG 0417100064	100%
CANADA	CR PNG 0417100067	100%
CANADA	FH PET M120054 HERITAGE	100%
CANADA	CR PNG 0417100153	50%
CANADA	CR PNG 0417100154	50%
CANADA	CR PNG 0417100155	50%
CANADA	CR PNG 0417100156	50%
CANADA	CR PNG 0417110088	100%
CANADA	CR PNG 0417110091	100%
CANADA	CR PNG 0417120003	100%
CANADA	CR PNG 0417120041	100%
CANADA	CR PNG 0417120042	100%
CANADA	CR PNG 0417120043	100%
CANADA	CR PNG 0417120044	100%
CANADA	CR PNG 0417120157	100%
CANADA	CR PNG 0417120165	100%
CANADA	CR PNG 0417120166	100%
CANADA	FH PNG GRITZFELDT, J & J	100%
CANADA	FH PNG KELSEY, CLIFFORD	100%
CANADA	FH PNG KELSEY, CLIFFORD	100%
CANADA	FH PNG OLSON, VIRGINIA	100%
CANADA	FH PNG OLSON, VIRGINIA	100%
CANADA	CR PNG 0417090160	100%
CANADA	CR PNG 0418040094	100%
CANADA	CR PNG 0404050042	100%
CANADA	CR PNG 0418070022	100%
CANADA	CR PNG 0418070024	100%
CANADA	CR PNG 0418070026	100%
CANADA	CR PNG 0418070027	100%
CANADA	CR PNG 0418080186	50%
CANADA	CR PNG 0418080187	50%
CANADA	CR PNG 0418080188	50%
CANADA	CR PNG 0418080189	50%
CANADA	CR PNG 0418100101	100%
CANADA	FH PNG WURBAN ET AL	100%
CANADA	FH PNG WURBAN, LAWRENCE	100%
CANADA	FH PNG WURBAN, KENNETH	100%
CANADA	CR PNG 0419010050	100%
CANADA	CR PNG 0419010051	100%
CANADA	CR PNG 0419010053	50%
CANADA	FH PNG FORTIER ET AL	100%
CANADA	FH PET M121570 HERITAGE	100%
CANADA	FH PET M121571 HERITAGE	100%
CANADA	FH PET M121572 HERITAGE	100%
CANADA	FH PET M121575 HERITAGE	100%
CANADA	FH PET M121576 HERITAGE	100%
CANADA	FH PET M121577 HERITAGE	100%
CANADA	FH PET M121587 HERITAGE	100%
CANADA	FH PET M121586 HERITAGE	100%
CANADA	FH PET M202676 HERITAGE	100%
CANADA	FH PET M203053 HERITAGE	100%
CANADA	CR PNG 0404050038	100%
CANADA	CR PNG 0418050149	100%
CANADA	CR PNG 0418010031	100%
CANADA	CR PNG 0418100105	100%
CANADA	CR PNG 0418080191	100%
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CANADA	CR PNG 0418010032	100%

Country	Lease name & number	Working interest
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CANADA	FH PNG M056877 HERITAGE	100%
CANADA	FH PNG M055912 HERITAGE	100%
CANADA	FH PNG M055911 HERITAGE	100%
CANADA	FH PNG M056878 HERITAGE	100%
CANADA	FH PNG M055915 HERITAGE	100%
CANADA	FH PNG M056879 HERITAGE	100%
CANADA	FH PNG M055916 HERITAGE	100%
CANADA	FH PNG M056880 HERITAGE	50%
CANADA	FH PNG M056881 HERITAGE	50%
CANADA	FH PNG M056883 HERITAGE	100%
CANADA	FH PNG M056882 HERITAGE	100%
CANADA	FH PNG M056884 HERITAGE	100%
CANADA	FH PNG M059251 HERITAGE	50%
CANADA	FH PNG M060433 HERITAGE	50%
CANADA	FH PNG M056886 HERITAGE	100%
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CANADA	FH PNG M060434 HERITAGE	50%
CANADA	FH PNG M059253 HERITAGE	50%
CANADA	FH PNG M059255 HERITAGE	50%
CANADA	FH PNG M059252 HERITAGE	50%
CANADA	FH PNG M060435 HERITAGE	50%
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CANADA	FH PNG M059749 HERITAGE	50%
CANADA	FH PNG M060439 HERITAGE	50%
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CANADA	FH PET M115852 HERITAGE	50%
CANADA	FH PET M115854 HERITAGE	50%
CANADA	FH PNG NORRIS, PAUL J.	50%
CANADA	FH PNG SCHAFER, S.	50%
CANADA	FH PNG GAAL, B.	50%
CANADA	FH PNG JOHN WISE ESTATE	50%
CANADA	CR PNG 13796	50%
CANADA	FH PNG NORRIS ET AL	50%
CANADA	FH PNG NORRIS ET AL	50%
CANADA	FH PNG COVEY, W.	50%
CANADA	CR PNG 13803	50%
CANADA	CR PNG 13797	50%
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CANADA	FH PET M115006 HERITAGE	50%
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CANADA	FH PET M207757 PRAIRIESKY	100%
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CANADA	FH PET M117779 HERITAGE	100%
CANADA	FH PET M117783 HERITAGE	100%
CANADA	FH PNG DOOL, DAVID	100%
CANADA	CR PNG 0415110019	100%
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Country	Lease name & number	Working interest
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CANADA	FH PET M121991 HERITAGE	100%
CANADA	CR PNG 0419090100	100%
CANADA	CR PNG 0419090124	100%
CANADA	FH PET M122146 HERITAGE	100%
CANADA	FH PET M122147 HERITAGE	100%
CANADA	FH PET M122148 HERITAGE	100%
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CANADA	FH PET M121623 HERITAGE	100%
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CANADA	FH PET M122657 HERITAGE	100%
CANADA	FH PET PRAIRIESKY	50%
CANADA	FH PET PRAIRIESKY	50%
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CANADA	FH PET PRAIRIESKY	50%
CANADA	FH PET PRAIRIESKY	50%
CANADA	FH PET PRAIRIESKY	50%
CANADA	FH OPTION DE NEVE, VIRGINIA	100%
CANADA	FH OPTION DE NEVE, VIRGINIA	0%
CANADA	FH PNG FUHR ET AL	50%
CANADA	FH PNG FUHR, DARRYL	50%
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CANADA	CR PNG 0421070004	100%
CANADA	CR PNG 0421070018	100%
CANADA	CR PNG 0421070022	100%
CANADA	FH NG M235624 PRAIRIESKY	100%
CANADA	FH PET M235625 PRAIRIESKY	100%
CANADA	FH PET M235626 PRAIRIESKY	100%
CANADA	FH PET M235627 PRAIRIESKY	100%
CANADA	FH PET M235628 PRAIRIESKY	100%
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CANADA	FH PET M123890 HERITAGE	100%
CANADA	FH PET M123891 HERITAGE	100%
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CANADA	FH PET M123893 HERITAGE	100%
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CANADA	FH PET M123904 HERITAGE	100%
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CANADA	FH PNG DAVIDSON, D & M	50%
CANADA	FH PNG OSLUND ET AL	50%
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CANADA	FH NG M124346 HERITAGE	100%
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CANADA	CR PET M PSK	100%
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CANADA	CR DRILL LIC 66441	100%
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Country	Lease name & number	Working interest
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CANADA	CR PNG 0490030038	**77%**
CANADA	CR PNG 2544	**77%**
CANADA	FH PET M220458 PRAIRIESKY	**100%**
CANADA	FH PET M220457 PRAIRIESKY	**100%**
CANADA	FH PET M220456 PRAIRIESKY	**100%**
CANADA	FH PET M220455 PRAIRIESKY	**100%**
CANADA	FH PET M220453 PRAIRIESKY	**100%**
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CANADA	CR PNG 0416080025	**50%**
CANADA	FH OPTION COMPUTERSHARE	**0%**
CANADA	CR PNG 0416090101	**100%**
CANADA	CR PNG 0413120218	**100%**
CANADA	CR PNG 0413120219	**100%**
CANADA	FH PET M118341 HERITAGE	**100%**
CANADA	FH PET M118342 HERITAGE	**100%**
CANADA	FH PET M118347 HERITAGE	**100%**
CANADA	FH PET M118348 HERITAGE	**100%**
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CANADA	FH PNG HELM, JEFFREY	**100%**
CANADA	FH PNG HELM, CRAIG	**100%**
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